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Federal Monetary and Credit Policies

By B. H. BECKHART*
Professor of Banking, Graduate School of Business, Columbia University

Dr. Beckhart, in discussion of gold, interest rate and debt management policies of Federal Government, points out these policies, because U. S. dollar has become international standard, now have worldwide significance. Stresses need of promoting confidence in stability of dollar and advocates restoration of its gold convertibility. Attacks low interest rate policy, advocates abandonment of pegged rates. Holds constructive policy of debt management should aim to reduce floating debt, improve rate of debt maturities and increase holdings of government bonds by permanent investors.

The topic of my talk "Federal Monetary and Credit Policies" recently formed the subject matter of a lengthy questionnaire sent to several hundred persons by Senator Paul Douglas, Chairman of a Subcommittee of the Joint Committee on the Economic Report. This questionnaire was concerned with such topics as the appropriate guide posts of monetary policy, the advantages and disadvantages of flexible fiscal policies, the most desirable manner of coordinating the government's monetary, credit and fiscal activities, etc. Questions of this type are so basic and broad in character that they afford in themselves strong argument for the suggestion that a National Monetary and Credit Commission be established by Congress to make the detailed studies necessary for a reappraisal of American monetary policies.

B. H. Beckhart

While the whole topic in all of its many complexities is one which requires comprehensive and objective study by a non-partisan Commission, there are certain phases which I should like to single out for special consideration. In particular, I should like to discuss the gold, interest rate and debt management policies of the Federal Government.

In evaluating policies in these three fields, one needs to bear in mind that the dollar serves as the international currency of the world and is recognized as such in the Articles of Agreement of the International Monetary Fund. In consequence, the policies which are adopted in the fields of gold, money rates, and debt management, must, of necessity, be directed towards making the dollar the best possible type of in-

(Continued on page 28)

*An address by Dr. Beckhart before the Illinois Bankers' Association Conference, University of Illinois, Urbana, Ill., Oct. 21, 1949.

Will Business Recovery Continue?

By SUMNER H. SLICHTER*
Lamont University Professor, Harvard University

Harvard economist, reviewing recent developments as affecting business trends, holds effect of sterling devaluation will be stimulating to American economy, if prices are lowered. Holds coal and steel strikes may retard but will not prevent recovery. Foresees gradual drop in present rate of capital outlays on plants and housing, but contends rise in government expenditures and greater proportion of personal income spent for consumer goods will tend to sustain production and employment during next nine months. Says "cold war" from narrow economic standpoint "is a good thing."

I

Recovery from the recent mild recession in business began in the third quarter of 1949. The usual drop of employment between July and September was virtually absent this year. In September total employment was 900,000 below last year; in July employment had been 1.9 million below last year. Unemployment, which had been up to almost 4.1 million in July, had dropped over 700,000 to less than 3.4 million. Industrial production in September was 5.5% above July. New housing starts in September were 100,000, up nearly 22% above September, 1948, and total contract awards in September were above a billion dollars—the highest for any month since the war and no less than 43.5% above September, 1948. The sensational increases in

(Continued on page 42)

Prof. S. H. Slichter

*An address by Prof. Slichter before the National Conference of Commercial Receivable Companies, Inc., New York City, Oct. 25, 1949.

EDITORIAL

As We See It

Fact and Phantasy

We have no idea what spurred the Economic Cooperation Commission to do such a thing, but we heartily congratulate Wayne C. Taylor, Assistant to the Administrator of that organization, upon his analysis of certain aspects of our foreign policy for decades past which bear directly upon the possible success of the organization for which he works. Mr. Taylor's story is, of course, familiar enough in broad outline, at least to the matriculate, but either is not known to the politicians or presumably to the rank and file, or else is ignored by them. We take his figures as he presents them, since we are sure without verification that they are substantially correct as stated, and permit Mr. Taylor to tell his own story.

A Straight Story

Here it is in essence. Between 1914 and 1949 the United States enjoyed what is commonly termed a favorable balance of trade amounting to some $101 billion. Now, how were these accounts settled? Government "loans" and grants, that is so-called loans and gifts by the United States Government, came to some $68 billion, of which about $49 billion took the form of outright grants, the other $19 billion were, and for the most part still are, listed as "loans," al-

(Continued on page 34)

The Outlook for Business

By ROY L. REIERSON*

Assistant Vice-President, Bankers Trust Company, New York

Commenting on 1949 business adjustment, New York bank economist ascribes recent pre-strike upturn in business to normal seasonal pickup, but foresees little likelihood record level of postwar years will be repeated in near future. Sees probability of drop in business activity before year's end, due to decline in heavy industries and falling off in foreign trade. Holds government spending no guarantee against business fluctuations.

The analysis of business prospects is probably more difficult and fraught with greater uncertainty today than has been the case for a long time. Within the past few weeks, the currencies of a large part of the world were devalued, the news was released that Russia was able to produce an atomic bomb, and here at home two important basic industries were closed by strikes.

Roy L. Reierson

These developments came just at a time when sentiment was improving and business was turning upward. Of the three, the strikes will have the most immediate and direct impact on business activity, but the effects are not likely to be of lasting significance unless the strikes run longer than seems generally expected. However, it is evident that business will have to assume substantially increased costs in the form of pensions. The effects of devaluation will appear over the coming months, and in general will serve to increase the problems and difficulties of some American businesses. The international political situation is likely to become of great importance to our economy somewhat later, when the time arrives to budget government spending for the next fiscal year.

The 1949 Business Adjustment

Until the strikes began to have their effects on business statistics, there was some evidence that the decline in economic activity which began in the latter part of 1948 had been arrested, at least temporarily. The upturn, while fairly general and widespread, has not been too robust. If this recovery should hold, barring the temporary impact of the strikes, the 1949 adjustment will prove to have been one of the shortest on record, lasting only about eight months. Judged by most business indices, it will also prove to have been one of the least painful.

Gross national product, for instance, has declined only about 5% since reaching a peak last year, and for personal income and consumer spending, the drop has been still smaller. Even the Federal Reserve index of industrial production, which measures the most volatile segment of our economy and which is not a good measure of aggregate business in the country, declined by only 17% from the high months in 1948 to the low point in July, 1949. Furthermore, some of this decline is due to inadequate statistical allowances for summer vacations and does not truly reflect a contraction in manufacturing operations.

The evidence seems quite clear that the business decline during the first half of this year reflected largely a shift in the inventory policy of American business from rapid accumulation in the latter part of 1948 to some liquidation in the first half of 1949. There is nothing ususual or unexpected in this sequence of events. The record shows that in times past many of our business fluctuations have originated in similar changes in inventory policy. In view of the large additions made to business inventories in the postwar years, some correction was anticipated, although it was admittedly difficult to foresee the timing of these developments very far in advance.

Two questions are significant in this connection. One: what has prevented the adjustment from becoming considerably more serious? The other: what is the reason for the more recent improvement?

Sustaining Factors

There is no single explanation as to why the economy was able to escape a serious letdown earlier this year. Many factors helped sustain business activity. The very caution exercised by business men in their inventory policies in the postwar years was one factor: unlike the situation in 1919 and 1920, we did not have large speculative inventories financed through borrowed money. Also, we have had no credit stringency: not only has the Federal Reserve been careful to avoid the use of strenuous measures of credit control, but in addition the liquidity of the commercial banking system, caution in lending policy, and relatively large holdings of government securities made it unnecessary to call loans or subject borrowers to pressure.

The reduction in business inventories was relatively smooth and painless, on the whole, because of the continued high rate of consumer buying. While unit retail sales of some commodities have dropped substantially, the decline in total consumer spending has been quite modest, and after adjusting for lower selling prices, the reduction in the physical quantity of goods purchased by consumers appears quite small. Perhaps the large holdings of liquid assets by the public, the maintenance of personal income at a high level, and the fact that the declines in production and employment were not protracted, all contributed in some measure to the relatively satisfactory record of retail sales and consumer buying. In addition, the economy received some short-range support from the rising level of government spending and the shift from a surplus to a deficit in Treasury operations.

Underlying all these, and probably a factor of greater relative importance than any of the others mentioned in supporting the economy earlier this year, were the continued large outlays for durable goods such as automobiles, farm equipment, industrial and business plant and equipment, and most major types of building and construction. Deferred and accumulated demands were still strong, and ample buying power was available to keep most heavy industries operating at satisfactory levels. The underlying strength of this spending served to cushion the decline in production in other parts of the economy and helped to prevent a downward spiral of prices and production. The record of business fluctuations in this country seems to indicate that recessions or adjustments in business are seldom drastic or protracted so long as the heavy industries continue to operate at a satisfactory rate.

Autumn Upturn in Business

In August 1949, the production index ceased its downward movement and turned moderately upward. Prior to the strikes in coal and steel, business sentiment had improved substantially. In part, this may have reflected some feeling of relief that the business decline had not been accompanied by the symptoms of real economic distress. But there were more tangible bases for the better sentiment, namely, a rise in incoming orders. This, in turn, reflected the depletion of inventories as the result of reduced business buying earlier in the year and continued high sales to the public. Normal seasonal developments and the necessity of restocking for the holiday season in some lines also contributed to better business. Finally, with the threats of strikes overhanging basic industry, there was doubtless some accumulation of raw materials, especially steel, as a hedge against future labor difficulties — a policy which was well vindicated by the ultimate stoppages in bituminous coal and steel.

While it is difficult to appraise the relative importance of these factors in the recent upturn of business, it is likely that all of them contributed in some measure. In the meantime, automobile sales held up as well as or better

(Continued on page 32)

*An address by Mr. Reierson before the Bankers Club, Cincinnati, Ohio, Oct. 24, 1949.

INDEX

Articles and News

MORE ARTICLES IN SECTION 2

Section 2 of today's "Chronicle," devoted to the Convention of the National Security Traders Association at Colorado Springs, Colo., includes the following articles:

Regular Features

*See article on page 9 in Second Section.

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Devaluation, Currencies And Related Elements

By WALTER E. SPAHR*
Professor of Economics, New York University
Executive Vice-President, Economists' National Committee on Monetary Policy

Asserting devaluation of currency is great misfortune, Dr. Spahr describes currency warfare before and after late war. Points out U. S. is rare instance where nation purposely depreciated its currency and maintains change in price of gold has no close relationship as an external factor to the price level, or as stimulant to production. Doubts devaluations will remedy dollar-gap, and holds no accurate predictions can be made regarding effects on international balance of payments. Says U. S. currency should be made redeemable into gold.

Devaluation of a currency is like the amputation of one's arm or leg; it is a great misfortune. Informed people do not engage in either sort of amputation unless it is unavoidable.

The most basic characteristic of any good standard of measurement is that of fixity. And, apparently, a nation has no standard of measurement more important than its standard monetary unit since its money reaches and affects practically every activity of all its people, both domestically and in foreign relations.

Dr. Walter E. Spahr

There is, in general, respect for such standards of measurement as the foot, gallon, pound, and so on. This is also true in respect to the ounce and grain; but at that point a peculiar confusion and inconsistency reveals itself. Although there is no agitation for declaring that an ounce of 480 grains shall have more or fewer grains in it or that a grain be made larger or smaller, there is agitation for alteration of the number of grains in our gold dollar unit of 1/35 of an ounce of fine gold.

To the world, an ounce is an ounce and a grain is a grain; but 1/35 of an ounce is something to be altered when the things it is supposed to measure do not behave in a manner that suits us. The explanation of this irrationality cannot apparently be compressed sufficiently for consideration here.

When the government of a nation takes possession of the people's purse by instituting a system of irredeemable currency thus freeing itself from control by the people, the common result is to expand irredeemable promises to such an extent that the metallic monetary reserves of that nation cannot liquidate those liabilities in a normal manner. Such reserves are usually employed to settle international payments, since a government cannot compel the people of another nation to accept its irredeemable promises except at a discount. As a consequence, gold and silver reserves tend to flow out of a country, that is depreciating its currency, to those places where they will purchase most, or where the need for settlement is most pressing, or where safety is supposed to be greatest.

The consequence is that nations with inadequate metallic monetary reserves and with governmental policies of a sort that tend to perpetuate irredeemability of its promises to pay reach a state of affairs in which they must either abandon the practices that created this condition or face the fact, thrust upon them by the free markets of the world, that their money will be accepted only at an indicated rate of discount.

Some governments, with depreciated currencies, decide that they have gone so far with their depreciation that it would require many years of great effort to squeeze the poison of irredeemable currency out of their system and that the best thing to do is to face the fact that a certain percentage of their circulatory system is dead and that they will amputate down to the percentage that is functioning.

Up to the early 1930's, sensible and informed people regarded such amputations as misfortunes. In the 1920's, when currencies, following World War I, were depreciated or depreciating rapidly, collapsing, and being devalued, apparently no one of responsibility in this country supposed or contended that we would show good sense or gain some advantages if we devalued too and joined those other nations in their misfortunes.

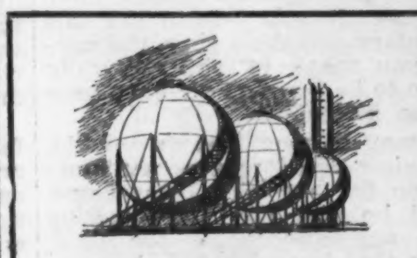
U. S. Purposely Depreciated Its Currency

But in the early 1930's a new and utterly unintelligent set of arguments developed to the effect that if other nations depreciated or devalued their currencies we would be at a disadvantage unless we devalued too. Apparently the world had never before seen a case, such as that provided by the United States, in which a government had set about purposely to depreciate its currency and to devalue it when it had ample gold reserves with which to redeem its promises to pay.

A collection of slogans and unsupportable assertions were de-

(Continued on page 26)

*An address by Dr. Spahr at 64th Anniversary Program of the American Tariff League, New York City, Oct. 26, 1949.



Getting and Keeping Your Customer's Attention

By KELSO SUTTON*

Consultant in Salesmanship

Continuing his discussion of the interview, Mr. Sutton discusses ways and means of gaining and retaining attention of customer. Points out customer's interest develops from information and knowledge, and therefore salesman's aim should be to relate his business to something customer is interested in. Stresses salesman must act as external stimulus to move customer to action. Gives list of buying motives and describes their application.

As soon as you begin your formal sales canvass you have to make sure that you have the attention of the person you are talking with. If you do not have his full attention, you do not have much chance of selling him, because he will be unable to absorb your idea, accept it, and go along with you on it.

Kelso Sutton

There are different kinds of attention. The first, the "willed" type of attention, that a professional buyer might manifest when he is being solicited by a salesman whose technique is not very good. The professional buyer inwardly says to himself, "Well, I'm paid to listen to this fellow, and I'll listen. But it doesn't interest me very much," so he has a way of making hard work of his listening, sitting there and watching, because he is being paid to do that. That is a kind of attention that is not good to receive.

Another kind of attention is what I call a "fugitive" type of attention, in which a man listens for a while and suddenly his mind has wandered far from the subject. You lose him. His attention runs away from you. That may happen when a salesman doesn't do a very good job of concentrating the person's full attention on the subject being talked about.

The third kind of attention is what you might call a "spontaneous," a "voluntary" attention, that the person gives of his own free will, that he wishes to give, because he is interested in your conversation and in you.

If you observe other salesmen in your board room from time to time, what you might do is watch the reactions of their customers and see if you can decide just how intense is the attention being paid the salesman by those customers.

You, yourself, will see, if you study another group during the sales interview, that there is a difference certainly, in the type and amount of attention that a customers gives to a salesman. You see, if you fail to get this voluntary attention from the person you speak to, you are quite liable to be brushed off very soon in the interview.

It may happen that during the interview you lose a person's attention for a while. One reason could be that you are dwelling upon one subject for too long. When that happens, it is because the buyer has already grasped what you were talking about. You continue to discuss the subject and he drops away from you because he is now ahead of you. That is one way you might lose his attention.

You can avoid that condition by watching him carefully and when you know that he is right up with you and has caught onto the point, then don't dwell on it any longer but go the next point.

Another way you might lose a person's attention is by becoming too technical and losing him somewhere along the line because he is not able to follow you, so he gives up for a while. He isn't listening to you.

When you lose a prospect's attention because of any reason, you have to get it back again. Here are some ways of regaining his attention:

You can change the pitch of your voice, for one thing, and he will notice the difference, bringing his attention back to you.

Or, you can change the weight of your solicitation. Maybe it is too heavy, and you can let up a little bit. Or, if it is too light, go after it a little bit heavier.

How to Revive Attention

If the man's attention has been lost and you find him staring off into space, you might make some physical action, reach over and drop something in front of his eyes, a piece of literature — or, you might even jog his chair a little, or shift about in your own chair. Or, if he should develop a vacant stare there might be some way of moving something before his face, because there is no good in continuing talking if you do not have his attention. In such a case you are simply beating the air without his listening to you at all, so you have to do something to get him back with you.

I recommend that you do something along the order of these things, even if they sound a little bit radical to you. Of course, you don't hit the man over the head with a book, or do anything as radical as that, but you have to do something to get him away from what he has been doing and get him back to you.

A Russian named Pavlov conducted a great many experiments with dogs, on the subject of "conditioned reflexes." He would feed the dog and at the time the food was presented a bell would ring. He followed that procedure for quite a few times and then on one occasion the food would not be there, but the bell would ring.

Of course, the dog's reaction has been tied up with the ringing of the bell, and he has a conditioned response to the bell, so that he thinks the food will be there too when he hears the bell ring, and begins to salivate and drool.

In those experiments, Pavlov found out that there is another reflex that he had to guard against. He called it an "investigatory reflex," which had to do with the dog's desire to investigate and change in the conditions around him. During these experiments, if a person walked by in the hall outside the room where the experiment was being conducted, the experiment would be canceled out.

The conditioned response, then, would not be the same, because of the variance of the dog's shifting his attention to the person walking about, outside the door. If a light bulb should blink, there again the experiment was thrown out. If there were any distracting influence at all, from time to time, the experiment could not be worked.

Therefore, Pavlov built a new building, on stilts, so that there was no jar from vibration, and there was insulation about the room, so no outside disturbance could disrupt the experiment.

I mention that point here just to emphasize the fact that a person's attention is very easily lost by distracting influences, outside of a sales interview.

You remember when we talked about setting the material conditions for the interview, we said you should try, as far as possible, to eliminate these distracting influences, because they will disrupt your prospect's attention. They will divert him from what you are saying and if you can hedge against that as much as possible then you are just making your sales work that much easier.

The next step, after getting a person's attention, is that you have to develop his interest in what you say. Unless you get a man interested in investments and securities, you do not have any chance of selling the man.

Interest develops from information, and from knowledge. The more a person knows about a subject the more interested he becomes in that subject. Perhaps each of you has a hobby. You might think back and try to decide just how you became interested in that hobby. Certainly, you did not take that hobby up, overnight. You grew into it gradually. You were exposed to a certain amount of information on the subject of that hobby. Perhaps a friend of yours told you about it, or you remembered seeing something pertaining to it in a store, and you gradually became more and more interested in that particular subject.

As your knowledge of your hobby grew, so your interest increased, accordingly.

Therefore, when you contact new prospects and discuss investments with them, you don't have a chance of getting them as steady customers unless you, yourself, feed them sufficient stimulating information to engage their interinterest in your subject.

That is one of the very basic principles of salesmanship, the business of gaining and building up an intense interest. Probably the easiest way to go about it is to relate your subject to something that the customer is already interested in, and perhaps the subject in which he is most interested is his own self, and his personal gains in life.

The "Personal Gain" Interest

It is not very hard for an investment salesman to relate his subject matter to the "personal gain" interests of an individual. Investments, I think, lend themselves more readily to association with a buyer's personal interests than most other products or services that are sold.

We are continuing with the unfolding of the salesman's solicitation. We have discussed the approach. We are now on the threshold of launching the formal part of the presentation, itself, the development part of the sale, and in doing that the first thing you do is to get the person's attention and gain his interest.

A good question to ask yourself, in preparing for this point of a sales interview, is this: "Just what do my customers want?"

Just exactly why does any person leave an apartment up on East 72nd Street and come downtown to Wall Street and go into one of the investment houses there to make a purchase of some

(Continued on page 24)

*Stenographic report of lecture given by Mr. Sutton, sixth in a series on Investment Salesmanship, sponsored by the Investment Association of New York, New York City, Oct. 20, 1949.

The Favorable Outlook For Common Stocks

By HEINZ H. BIEL*

Economist, Laird, Bissell & Meeds

Mr. Biel asserts only hope of protecting funds from creeping dollar depreciation is in equities. Expresses optimism on business outlook, and confidence in Fair Deal's ability to forestall cyclical recession through broader public spending. Expects more liberal dividend distributions.

The present market picture, if we look at it superficially, appears very similar to the situation of April 1948, when I spoke "cautioningly" before this audience. The averages are at about the same level. Then, as now, a major upward move was underway. Then, as now, many of our chartist friends diagnosed the move as a new bull market. But here, in my opinion, is as far as the similarity goes.

Heinz H. Biel

In what way does today's situation differ from conditions prevailing in the spring and early summer of 1948? Why do I represent the optimistic side on this panel today, whereas I was on the other side of the fence a year and a half ago?

The fundamental changes are partly of a political and partly of an economic nature. They are closely linked to each other, of course, and entirely interdependent. There were very few among us, in the spring of '48, who did not take the election of a Republican President virtually for granted. No one seriously considered it possible that President Truman might be reelected. It goes without saying that I was among the unenlightened souls who expected Mr. Dewey or some other Republican to be our next President. On this expectation I based my opinions and predictions on the outlook for business in general and the stock market in particular.

A change in the Administration might have been welcome and desirable for the investor in common stocks from a very long-term point of view. But I doubt very much that it would have been bullish stock marketwise for the more immediate future. I believe that a Republican Administration would have interfered far less with the normal course of economic events than Truman's Fair Deal. The election last year coincided with the peak of the postwar boom. A recession from this peak would have occurred in any event. It was more than overdue.

We can not prove it, of course, but I believe that a Republican President would have permitted the necessary readjustment of prices and costs to take place. He might have applied the brakes gently to prevent the recession from gathering momentum and developing into a full-pledged depression. But he probably would not have attempted to halt the recession before the readjustment was even half completed. The low point in business activity, employment and profits would probably have been well below the level we have experienced this year or are likely to see in the near future. Yet, there would have been a sound and solid base for a subsequent recovery and extended period of prosperity.

President Truman did exactly the opposite. After realizing that the recession was well underway—the Administration was a bit slow in recognizing this fact—he went all out to stop it. Plans to raise taxes were dropped. Credit was eased and cheapened in the money and capital markets. The flood gates were opened for liberal public spending. Even Wall Streeters were permitted to participate in the Fair Deal's generosity with a reduction in margin requirements.

Such determination to block any further recession and to halt the downward readjustment of commodity prices regardless of costs and possible consequences could not fail to achieve results. It had the desired economic as well as psychological effect. The deflation of metal prices was stopped by aggressive buying for stock-piling purposes, and the level of farm prices was stabilized by the assurance of continued government support. In view of such developments the need for further liquidation of business inventories diminished.

Capital Goods

It is too early to tell whether the Fair Deal will be entirely successful in its endeavor to forestall the cyclical recession in the capital goods industries. Industry plans to spend less for new plants and equipment. Can the government offset this impending decline? In my opinion, yes, or at least to a very large extent. In addition to increased spending for construction of highways, public buildings and housing, there are still a few stimulating medicines left in Dr. Truman's kit. He can give inducements for capital expenditures by permitting more rapid depreciation or by giving other tax advantages, such as changes in the capital gains tax or perhaps even in the double taxation of dividends. Furthermore, reduced cash requirements for capital expenditures would permit somewhat more liberal distribution of corporate profits in form of dividends with the result that such funds would be spent on consumers' goods rather than capital goods.

I make no attempt to minimize the importance of currency devaluations in some 27 countries. On the contrary, I believe that we shall feel the effects of competition to an increasing degree both in our own domestic markets as well as in our exports abroad. It is because I expect the clamor for relief from foreign competition soon to become highly vociferous—from manufacturers, exporters, labor, and local officials of affected communities—that I anticipate our government to take remedial steps. We have two seemingly painless alternatives: (1) raise import duties to protect our home markets against "foreign dumping," or (2) devalue the dollar. Since the first alternative will not help our exports and, besides, is considered "not liberal," the devaluation of the dollar may be chosen as the easier way out of the dilemma. It won't happen within the next six months, but it may within two years.

I am also quite aware of the fact that the incompleted recession leaves many consumers badly squeezed. Lower department store sales tell the story of declin-

(Continued on page 27)

*A talk by Mr. Biel before Association of Customers Brokers, New York City, Oct. 21, 1949.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production last week held to the pattern of preceding weeks, with slight increases in the output of some goods tending to offset reductions in others. The over-all effect was that of sustaining total output at a level moderately under the volume of a year ago.

Scattered lay-offs occurred during the past week as a result of material shortages, but many industries reported sufficient supplies for the near future. October 1 figures show that total claims for unemployment insurance dropped by almost 4%, while initial claims rose by 7%.

Wholesale buying of food continued at a high level last week with total dollar volume slightly below that of a year ago. The wholesale demand for meat remained near the high point of a year ago. The order volume of canned goods was steady and high with most commitments for immediate needs. Flour bookings, however, remained small.

Textile trading volume increased noticeably the past week. Spot demand for many items in the cotton gray goods market remained high with an appreciable rise in the commitments for first quarter delivery. Orders for sheeting, print cloth, broadcloth and osnaburgs also rose noticeably, while combed cotton gray goods remained in moderate demand.

* * *

Discussing the effects of devaluation on trade, the "Monthly Letter" of the National City Bank of New York for October, states that the tendency of the devaluations will be to increase the volume and perhaps even the value of United States imports, and to reduce our exports. However, it is hardly to be expected that if our imports are well maintained our exports will decline much. The inconsistency of such belief is apparent, the letter observes, since the world wants American goods and services and tends to spend all the dollars it can get for them. Demand for American products has been held back not by prices, but by scarcity of dollars, import quotas and similar restrictions. If business holds up well in this country our imports will continue large, and, adds the bank letter, the dollar earnings of our foreign suppliers will hold up.

* * *

With the elapse of another week strikes in the steel and bituminous coal industries continue with little hope of early agreement. To date the coal strike has rounded out its fifth week and the steel walkout has begun its fourth week; the former began on Sept. 19 and the latter on Oct. 1.

Talks were scheduled to resume on Monday of the current week between U. S. Conciliation Director, Cyrus S. Ching, and officials of the United States Steel Corp. It appeared unlikely, it was reported that there would be any early intervention by the President.

Mr. Truman at his press conference on Thursday of last week urged labor and management to get together and settle the dispute in the interest of themselves and the country. Stating he had no plans at present for seizure of either industry, he added, he still hoped mediation would be successful.

As a result of diminishing coal supplies, effective this Tuesday at midnight, the Interstate Commerce Commission has ordered a 25% cut in passenger mileage on any railroad having less than a 25-day supply of fuel coal on hand.

The Commission explained that this action was necessary in order to conserve reserve stocks of rail locomotive fuel coal which have decreased to a "dangerously low level" on some railroads and stockpiles are further decreasing.

The curtailment in operations will last for two months with roads required to cut their operations 25% below the rate they maintained on Oct. 1.

A bright spot in the week's news was the announcement on Monday last by a company spokesman that the Missouri Pacific Railroad will resume complete freight and passenger traffic by Wednesday of this week following a 45-day strike of its operating employees over grievances.

* * *

The fourth week of the steel strike finds metalworking slowing down at a faster pace though still in relatively high gear, according to "Steel," national metalworking magazine. Most fabricators are maintaining operations close to pre-strike levels, living off inventories. A few shops are strike-bound, and only a few others have been forced to close or curtail for lack of steel. Certain manufacturers have enough metal for another three or four weeks. Some of them are turning to substitutes, such as aluminum. This latter metal, however, also may be in tight supply soon because of strikes at a number of Aluminum Co. of America plants. In the main, fabricators' prospects are bleak with steel stocks shrinking alarmingly. Unless the strike is quickly ended, the magazine notes, general contraction of metalworking is expected by Nov. 1. Even automotive shops that held comfortable steel supplies at the strike's start will be pinched by that time with plans already prepared to cut operations by mid-November.

STEEL OPERATIONS THE CURRENT WEEK SET AT 9% OF CAPACITY, A DROP OF 0.3 POINT

Efforts are now being made to settle the steel strike without ruining the prestige of Philip Murray as President of the Steelworkers' Union. The rank and file never has had its heart in this one, and steel men see trouble ahead if Mr. Murray is badly beaten, according to "The Iron Age," national metalworking weekly, in its current summary of the steel trade.

There are other capable executives in the union but industry leaders are afraid they lack the power to hold the membership in line. Aside from the present dispute the steel industry's relations with labor have been remarkably good for many years and industry would like to keep things that way, the trade paper notes.

This has further complicated efforts to reach an agreement in the fourth week of a tieup that has cost the nation more than 5,600,000

(Continued on page 29)

The Summer-Fall Stock Market Rally

By JOSEPH MINDELL*

Partner, Marcus & Co., Members, N. Y. Stock Exchange

Market analyst maintains this is time for "combing-through" portfolios and cutting-back holdings, in anticipation of business contraction. As danger signals he cites diminishing number of rising issues, downward acceleration of plant-equipment and durable consumers' goods cycles, and declines in retail sales in face of government spending.

After having been aggressively bearish on business and the stock market in my "Forbes" magazine column all this year, in June I turned bullish for an intermediate rise in both business activity and the stock market. Many of us had the good fortune to catch what has proven to be a splendid rally. The year-long decline from the 1948 highs had improved the market's technical condition. In textiles and some nonferrous metals, inventories had been so severely curtailed that they were below the rate of consumption. Normal seasonal influences helped, and we had a fine background for our stock market rise.

Joseph Mindell

And now, after almost 25 points of rise, some of the Dow theorists tell us that we are in a bull market. And as we look around, there seems much to confirm this hopeful view. Price-earnings ratios on stocks are low and yields are high, national income and employment are high, our money supply is ample, and the stock market has shown a remarkable indifference to bad news. The short interest is at a record high level for 17 years, and sooner or later our major coal and steel strikes will come to an end. On the surface, the stage would seem to be set for further rise. And obviously the government is exerting an inflationary force. It is doing and saying a great deal to stimulate the stock market.

It is perfectly natural for us to entertain all of the optimistic possibilities for the stock market when it has been strong for a few months. But let us examine the stock market rally itself in some detail. It is now over four months old. According to some Dow theorists we have just had a bull market signal. (Incidentally, the false signals of May, 1948, and of June, 1949, haven't dimmed their faith in the Dow theory.) Most of the popular Services are extremely bullish—including those which bucked the first 20-odd-points of rise.

Deterioration

And yet there are some signs of deterioration in the market's action. I have noticed, with some concern, that the number of issues advancing has been diminishing on the successive minor lifts in the past few weeks. That means that some sections of the market are dropping out of the rise. The rate at which stock is being offered on the market has been quickened, though this is almost unnoticed under the present conditions of good cheer. And a cumulative figure of down-side volume that I keep has been mounting persistently. The Dow-Jones 40-bond average hasn't yet exceeded its August high, and second grade rail bonds are well below their August high.

Thus we have a few indications in the texture of the market action itself that this general area is one for selling rather than buying stocks. A more important problem is: what are the probable dimensions of the coming stock market decline? Are we warranted in assuming that it will be merely minor?

The Busines Cycle

The American business cycle consists of a number of component cycles. The most important ones are: the construction cycle, the plant and equipment cycle, the durable consumers' goods cycle and the inventory cycle.

Several minor recessions have started in the recent past, but these were caused mainly by fluctuations in inventories—which is not the most potent influence on business from a major point of view. Last spring was the worst one we have seen in this overall cycle. At the moment we are in an inventory accumulation upswing, with construction running at a high level.

However, the two most important component cycles at present are: the plant and equipment cycle, and the durable consumers' goods cycle. I think it a major hazard for the present stock market that these two cycles are now beginning to accelerate on the down-side after a long period of extraordinary strength. Sensitive new order figures for structural steel and grey iron castings have participated very little in the current business rise.

Plant and Equipment Cycle Volatile

The plant and equipment cycle is especially volatile. It can shift from a $20 billion rate one year to a $10 billion rate another year. We have to grasp that it is cyclical contraction of these dimensions in the private sector of our economy that the government is trying to offset — this is no small task.

Retail trade represents the demand side of our equation, and for all practical purposes department store sales are representative. It is noteworthy that, in the face of increasing government expenditures and high national income, department store sales, seasonally adjusted, have declined to new low ground for recent years This raises a serious problem for a brisk rate of production. Notice also that while department store sales are declining, the percentage of instalment credit sales has been rising persistently.

Commodity prices last year were historically high, and earlier this year they suffered a swift, severe decline. "Moody's" Spot Commodity Price Index made its low at 332.7 in June, and then rose to a high of 350 in September. Last week, however, this index had retreated to 334.8, only a few points from its low, at the same time that the "Journal of Commerce" Commodity Price Index actually slipped to a new low. Most commodities are in ample supply.

Each of the minor business recessions in recent years was followed by a new high in general business activity. Now for the first time, business activity is not rising to a new high.

Bullish Factors Exaggerated

There are two factors whose bullish influence is being exaggerated beyond their true importance. One is the money supply—although this provides an excellent floor beneath us, the prices of individual commodities or products depends primarily on the relationship between the demand and the supply—and the supply of item after item has become ample. The other is the role of government spending in our general economy. Notice that even in England, a much smaller economy, with a more controlling government, the average prices of common stocks are around their lows for recent years despite a high level of government spending and a currency devaluation that resulted in a 17% increase in their commodity prices. The market has been groping to evaluate the corporate earning power of the near future. It has swung between 160 and 190 in the Dow-Jones Industrial Average several times. Many corporations which are faced with contracting volume have higher break-even points than ever before. So far we have observed only the consequences for a few industries—and there it has been severe. We have yet to see the effects of contracting volume in the dominant sections of our economy under these conditions.

This is a time for combing through portfolios and cutting back—to wait for the market to meet the full impact of business contraction before taking boldly to the buy side again.

*A talk by Mr. Mindell before Association of Customers Brokers, New York City, Oct. 21, 1949.

John H. Valentine With Shearson, Hammill Co.

Shearson, Hammill & Co., members of the New York Stock Exchange, announce that John H. Valentine has become associated with the firm as a registered representative in its uptown office at 522 Fifth Avenue, New York City. Mr. Valentine was formerly with Grimm & Co. and prior thereto conducted his own investment firm in New York City.

John H. Valentine

Be Ready for Second Phase Of Postwar Readjustment!

By MURRAY SHIELDS*

Vice-President and Economist, Bank of the Manhattan Company

Asserting recent recovery does not represent resumption of war boom, New York bank economist warns stimulative influences may soon end, in which event we should be ready for second phase of postwar readjustment. Holds, however, no great depression need be expected, though government policies must be changed to avoid long business decline. Stresses need of lower government expenditures, relief from high taxation, encouragement of private investment, and abandonment of unnecessary harassment of business.

The recent pronounced expansion in business probably does not represent a resumption of the postwar boom but rather a necessary corrective movement following the over-deflation in orders, inventories and prices which took place earlier in the year. The movement has been as sharp as it has because the government introduced around mid-year a number of economic "shots-in-the-arm," among which were aggressive purchases for the stockpiling operations, announcement that the payment of $2.8 billion of veterans' insurance funds would be accelerated, the return to aggressive easy money policies by the Federal Reserve authorities, adoption of elaborate government aid to the housing industry, revival of agitation for maintaining agricultural price supports at a high level, the relaxation of controls for instalment credit and brokers' loans and the development of plans for very heavy foreign aid through military assistance, government stimulation or guarantee of investment and the European Aid Program.

Murray Shields

It is likely that some of these stimulative influences will have worn themselves out in a few months, in which event we should be ready for the second phase of the postwar readjustment. This phase might well involve a reduction in export demand, the tapering off of stockpiling operations, moderate declines in a number of industries, such as automobiles and housing, which appear to be about ready for a delayed transition from sellers' to buyer's markets, and an accelerated decline in capital outlays by business. While such a combination of forces could easily bring the level of business to a lower "low" than was recorded in July of this year, virtually no one expects that it would be more than a "readjustment-recession" since the stage does not appear to be set for a great cyclical depression. The basis for a reasonably good level of business is to be found in the rapid increase in our population, which increases markets; the revolution in industrial technology, which stimulates investment, and in the far-from-weak financial position of our citizens and our business concerns: which provides assurance against financial crisis.

As to the severity and duration of the readjustment, the key is probably to be found in three policies of our government:

(1) The determination of the Administration as well as Congress to use the financial resources of the government to the limit in order to prevent depression.

(2) The refusal of the Administration to permit a rapid readjustment in prices, costs, etc., which would establish a position from which we could have a really pronounced revival; and

(3) The failure of the government to take those actions with respect to taxes, business regulation and labor management friction without which we are not likely to have real prosperity.

Thus it appears that unless government policies are changed we face a long period of readjustment, in which business is not likely to be either very good or very bad and which might well be described as a "no boom-no bust" period with competition intense, profits low, unemployment high enough to be uncomfortable but not high enough to bring a crisis, and the whole process of capital expansion grinding slowly to a halt. At that point it would be obvious that the government had in fact failed to provide an environment favorable to the expansion of business, the increase of job opportunities, the expansion of incomes and the increase in our standard of living—all of which clearly the economy is capable of producing. Such a period of frustration would be comparable only to the difficulties we experienced in the middle 30s and it must be avoided at all costs, for in a world as dangerous as that in which we shall have to live we cannot afford to be weak. With this prospect, it is incumbent upon all of us to use our powers of persuasion to induce the government to adopt policies which will stimulate instead of obstruct an orderly but persistent expansion of private business enterprise. Anti-deflation policies have their role to play, to be sure but what this nation needs desperately is a set of practical sound and effective pro-prosperity policies. In my personal view, it is not only desirable but necessary for the Federal Government to—

(1) dissipate any fears that government finances are out of control by making an immediate reduction in government expenditures of the $3-$5 billion which competent observers assume to be both feasible and essential and by refunding a substantial portion of the floating debt into intermediate or long-term bonds with maturities and coupons attractive to institutional and individual investors;

(2) give the taxpayer some hope by stating publicly that there will be no new taxes and that the government is looking forward to the time when improvement in the international situation will justify a contraction of $10-$15 billion in government outlays which would permit a substantial reduction in tax rates and a reduction in the debt;

(3) shift its policies with respect to public works, relief and loan activities so that instead of using them to perpetuate the boom or to prevent desirable readjustments in the economy they are held in readiness for use if necessary to alleviate fear of mass unemployment;

(4) stimulate individual and business investment by requesting that Congress eliminate capital gains taxes, alleviate double taxation of corporate dividends, permit a moderate acceleration of depreciation on expenditures for new capital improvements, remove the more onerous restrictions in Section 102 of the Internal Revenue Code, give personal tax exemption to a small amount of income from securities and relax the restrictions on margin requirements—steps which would reduce government revenues only moderately but have an impressive stimulative effect on the entire economy;

(5) mitigate the justifiable fear of vacillation or violence in credit policy by formal abandonment of the pegs on U. S. Government security yields by the Federal Reserve Board so that its powers can be used to stabilize the money supply instead of forcing so violent an expansion during the recession in business as to threaten that the next period of prosperity will be converted into an inflationary boom;

(6) advocate a labor law which is fair to the public, management and organized labor alike and demand that the unions cooperate with management in the elimination of featherbedding inefficiencies which sap the nation's strength and hold the standard of living down;

(7) issue a directive to government regulatory agencies calling for an end to unnecessary harassment of business and to the talk about subsidies for government plants—a shift to reasonable probusiness policies not requiring that the government grant favors to business but merely that it should stop persecuting it.

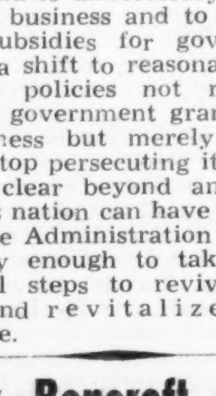
It is clear beyond any doubt that this nation can have prosperity if the Administration wants it seriously enough to take a few practical steps to revive confidence and revitalize private initiative.

*An address by Mr. Shields before the Virginia Manufacturers Association, Richmond, Va., Oct. 21, 1949.

Berry, Bancroft, and Frederick With Fewel

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Harold W. Berry, Basil Bancroft, Jr., and George L. Frederick have become associated with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. All were formerly with G. Brashears & Co.



Harold W. Berry

Max Davidson Opens

Max Davidson will engage in a securities business from offices at 215 West 75th Street, New York City.

Four Sound Industries

By ROGER W. BABSON

Mr. Babson lists as industries having promises of great growth and offering good investment prospects: (1) road building and conveying; (2) labor saving machinery; (3) telephone industry; and (4) food merchandizing.

With so much talk about automobile, steel, coal, textile, shoes, clothing and other industries having "reached their peak for this business cycle," readers ask: "What industries have yet greater growth ahead?" In reply I will mention four such:

Roger W. Babson

Road Building and Conveying: Billions of dollars must soon be spent on new inlets and exits to our large cities. Thousands of new underpasses and overpasses must be built. Our entire transportation problem, from automobiles down to conveyors, needs overhauling. Every city and plant could reduce costs and increase efficiency by better roads and conveyors. My favorite company in this field is the Link Belt Company. Its stock sells on the New York Stock Exchange at about 61.

Not only is the need for better transportation vital, but it will be easy to raise funds for such projects. We do not object to gasoline taxes if we are sure that the money is being spent for better roads, more bridges, etc. Automobile owners (and there are 40 million of these) also like the new toll bridges and toll roads such as have been built in Pennsylvania, Connecticut and Maine. Not only are these undertakings good money earners, but their bonds, being non-taxable have a ready market at low rates of interest.

Labor-Saving Machinery: The only way that manufacturers can successfully meet labor's demands for more wages is through the use of more labor-saving machinery. One of the leading companies manufacturing such is the American Machinery & Foundry Company. This stock is listed on the New York Stock Exchange and sells around $13\frac{1}{2}$. I personally know its President; its management is very progressive. There are also other good companies and the entire industry looks bright to me.

A small company developing labor-saving food machinery, in which my family is interested, is the Atlantic Coast Fisheries Company. This owns all the stock of the Fish Machinery Company which is developing very wonderful machines to take the bones out of fish and make fillets mechanically. For the most part even today, from the time a fish is caught until it reaches your dinner table, hand labor only is used. Fishing is both the oldest industry and the most antiquatedly operated. It is greatly in need of more mechanization. The stock of this company sells on the New York Curb at about $3.50 a share.

Telephone Industry: One of the greatest labor saving inventions is the telephone. The industry is very progressive. Before long a new telephone writing machine will be available. This will send anywhere, on regular telephone circuits, absolutely confidential and instantaneous messages, in the sender's own handwriting and with his signature. This machine is being perfected by the Tel-Autograph Corporation. Its stock sells on the New York Stock Exchange at about $5\frac{1}{2}$. I will gladly send particulars regarding it to anyone.

I am optimistic on the entire telephone industry. It is being used more every day; it has excellent management and fairly good labor relations. All you readers should have a little stock in the telephone company which serves your community. The manager of your telephone office will gladly give you particulars.

Food Merchandising: Food is the one thing we all must have. There are many good independent grocers and small grocery chains which are entitled to your patronage. I think it is generally agreed, however, that the A & P sets the pace for the entire food merchandising industry as to quality, service and low prices. Truly it is a wonderful organization.

The stock of the Great Atlantic & Pacific (now foolishly threatened by government suit) sells on the New York Curb at about $126 per share. There are very few better investments. Instead of worying about inflation, or labor troubles, or World War III, invest your money in one of these four industries.

Business Man's Bookshelf

Competition Among the Few—Oligopoly and similar Market Structures — William Fellner — Alfred A. Knopf, New York, N. Y. —cloth.

Financing Utility Capital Requirements—American Gas Association-Edison Electric Institute, 420 Lexington Avenue, New York 17, N. Y.—paper—$1.00.

Invisible Barrier—A Tax Specialist's Analysis of the Business Cycle — George T. Altman — DeVorss & Co., 843 South Grand Avenue, Los Angeles 14, Calif.—fabrikoid.

Liberalism Stands for Freedom —Towner Phelan—Foundation for Economic Education, Inc., Irvington-on-Hudson, New York—paper — single copy, no charge; 10 copies, $1.00; lower prices on larger quantities.

Two Paths to Collectivism — Russell J. Clinchy—The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York —paper—single copies, no charge; 10 copies, $1.00; lower prices on larger quantities.

Words to Live By—Edited by William Nichols — Simon and Schuster, Inc., 1230 Sixth Avenue, New York 20, N. Y.—cloth—$2.50.

Bituminous Coal Annual—1949 — Facts & Figures — Bituminous Coal Institute, Southern Building, Washington 5, D. C.—paper.

Joins Gordon Michie

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Ewing Harper has joined the staff of Gordon Michie, 582 Market Street.

Toppell With Newman

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA. — Jack Toppell has become associated with Frank D. Newman & Co., Ingraham Building.

From Washington Ahead of the News

By CARLISLE BARGERON

CLEVELAND—Here in Cleveland, which is unique in many respects—for one thing it has long had economists and financiers who get their voice through the Washington and Wall Street din—one of the grossest cases of ingratitude in history is about to be "mocked." I say "mocked" because it is the consensus of opinion of observers that Phil Murray and his CIO do not intend to do a thing to the Communists in the CIO at the latter's convention which is scheduled to begin Monday. Meetings of the executive board have been held this week and the skids prepared for the more general meeting.

Carlisle Bargeron

In recent months Phil has achieved a lot of publicity about what he intends to do to the Communists. Of the CIO's supposedly 6 million members, it is estimated 1 million are Communist led. It appears to observers in this preliminary week that Phil is to do a lot of shouting and spattering of invectives but in the end the CIO picture will be pretty much the same.

Where the ingratitude enters in, though, is that instead of Phil's hurling invectives at these fellows he should greet them with open arms. He owes his job to them. The whole CIO owes them more than can be paid off in dollars and cents. You would think that when they entered the convention hall there would be placards and banners and cheering delegates bespeaking the praises of their founding fathers. Instead there is to be the sham of abuse, but only that.

It has a decided bearing on any study of men of Murray's and John L. Lewis' stripe, that the records of the House Un-American Activities Committee are replete with facts and figures on how the Communists organized this great American labor movement. The evidence is crystal clear on how they organized and led the sit-down strikes in motors, on how they set up the chain picketing in New York by which men and women chained themselves together and lay on the sidewalk to prevent entrance to business establishments. The evidence is abundantly clear as to how they seized the state capitols of Michigan and of Wisconsin.

The nearest Roosevelt the Great ever came to condemning any of this was when, in the case of the strike in Little Steel, he said "a curse on both their houses," and John L. Lewis retorted it ill behooved a man who had supped at labor's table to say anything like this, and it did.

In the years past, the American Federation of Labor had spent millions of dollars and caused any amount of bloodshed in an effort to organize the mass industries. The Communists showed how to do it and so if the organization of these industries is an accomplishment in the American labor movement, the Communists should be praised by both Phil Murray and Bill Green because the uplift of the workingman is all their hearts bleed for.

Lewis, Murray and the late Sidney Hillman, the House Un-American Activities Committee records tell us, knew they were playing with fire; Lewis and Hillman having had painful experiences with these babies before. But they were naive enough to think that once they got their set-up they could get rid of hem. Lewis and Hillman, according to the Committee's records, needed experienced organizers badly. The Communists had them.

I can understand Lewis' deep chagrin now. After being in the forefront of the CIO movement, Rooosevelt saw to it that these Commies and Hillman kicked him out. He had said in a famous, $65,000 radio speech for Wendell Willkie in 1940 that if the latter were not elected he would resign his CIO Presidency. But, of course, he didn't mean this. Roosevelt, using the same Communists who had catapulted Lewis to power, and Hillman, underwrote the carrying out of his resignation threat.

But I am at a loss to know when Murray came to be indignant towards these fellows, when he came to look upon them as unacceptable citizens. Because all during the war, all during the time of his Presidency up until the eve of the 1948 Presidential election, he had at his right hand and was putty in the hands of Lee Pressman, who refused to say, on the grounds of self-incrimination, whether or not he was a Communist—this before the House Un-American Activities Committee.

Pressman's attitude could not have been a surprise to Murray. For years his inclinations had been well known. When he went with Henry Wallace in the '48 campaign these inclinations became generally known. But they had never been any secret to Murray.

Indeed, Murray owes a lot to Pressman. He owes to him the great build-up he has gotten as a labor statesman. He has seemed to shrink since Pressman left him. Undoubtedly Murray misses him very much.

Significant enough is the fact that Murray has not yet, in the fight he is now supposed to be making to rid the CIO of Commies, charged them with being subversive. His grievance is that they simply won't adhere to the CIO policies, whatever they are.

The Current Business Picture

By C. F. HUGHES*

Business News Editor The New York "Times"

Contending high consumer income and savings have provided major cushions against a nose-dive in business, prominent financial editor sees threat to stability if steel strike is prolonged. Says people are waiting for lower prices and customers are getting "choosy," but because of cut downs in production schedules, recession has been avoided. Notes ebbing in capital goods expansion, except for home building and concludes impending increase in imports may spell lower consumer prices.

I have rarely tackled a tougher job in this subject of Current Business Trends. The reasons must be as evident to you as to me. In short, the man who is running the traffic signals for business is playing with the green and the red and the Stop and Go. The scheme of things right now unfortunately is subject to change without notice.

C. F. Hughes

What will come out of the mediation report at Washington today on the steel strike is unknown at this moment. I was told that behind the scenes last week the main idea of both parties to the disagreement was that mediation was just prolonging the trouble. Each side wanted Mr. Truman to step in because it seems that faces are very important and only action by the President of the U. S. would save their precious mugs.

So I think it is a fair statement to make that a few vain men have thrust this industrial crisis upon the country at a very inopportune moment. First of all we have just leveled off from what looked for a while like a real downturn and, secondly, what is more important still, we now face a world adversary equipped with the war weapon which we imagined would be our sole possession for another few years at least.

These are considerations which I feel most business will agree should have meant no steel strike at all or most certainly a speedy settlement. The coal strike is in a different category and will remain there, I suppose, as long as Mr. Lewis continues to glare from beneath his bushy eyebrows. Some day, let us hope, his lust for power will over-reach itself and an essential industry will no longer have to bow before his Hitleresque edicts.

Business trends today are therefore subject on most fronts to the labor tie-ups in steel and coal. Dependent industries slowly or quickly must throttle down on operations. In the automobile industry Ford and Chrysler will chop off by Nov. 15 and General Motors will limp ahead a little longer. Big construction projects will feel the pinch. Appliance manufacturers have already started to curtail. Steel will put on a dramatic demonstration of how essential it is to the nation's economy.

Even if the word goes out today or tomorrow that a steel settlement has been reached, industry authorities say it will be another three weeks before the furnaces once more will be producing in volume. So six weeks' production has been lost for all except a small segment of the industry—a mere 10%.

If supply pipe-lines had been full and overflowing before the deadlock happened, one could see how the reserve would take care of needs over the shutdown period. But the crackdown on inventories which started early this year applied almost as much to steel as to some other lines. Even the automobile producers started to reduce their forward purchases late in the Spring when the used car market turned sour. Appliance manufacturers were curtailing both orders and production rather sharply as demand for their products seemed to fade away.

Steel surpluses, therefore, are not expected to bridge much of the gap caused by this tie-up. This was made clear by the heavy demands reported by the steel warehouses just as soon as the big plants closed down. A settlement this week will put the steel workers back on the payrolls but not the workers in other lines who are either idle or will be laid off shortly because their plants lack necessary material.

The results of this current crises are bound to be mixed—and the mixture is all on the un-

(Continued on page 37)

*An address by Mr. Hughes at luncheon session of the National Conference of Commercial Receivable Companies, Inc., New York City, Oct. 25, 1949.

George J. Bielby Joins F. S. Moseley & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — George J. Bielby has become associated with F. S. Moseley & Co., 135 South La Salle Street. He was formerly with the Northern Trust Co. of Chicago in the municipal bond division.

F. H. Lyons Opens

JEROME, ARIZ.—F. H. Lyons is engaging in a securities business from offices at 1 Main Street.

Bache & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—William L. DeMora has joined the staff of Bache & Co., National City East Sixth Building.

Government, Business and Labor Must Work for Common Good

By EDWIN G. NOURSE*
Chairman, Council of Economic Advisers,
Executive Office of the President

Outgoing Presidential Adviser declares that all groups, in industry as well as politics, must (1) display initiative, prudence, and self-discipline; (2) recognize that they cannot get more out of the economic system than they put into it; and (3) acknowledge collective bargaining in good faith as the road to a workable distribution of total product. Holds monetary and fiscal tricks have no power of magic but are a slippery road to misery. In second talk at New School doubts benefits of "implemented planning."

The economic progress of this country has been almost fabulous since its founding, or during the last century, or in the 50 years spanned by the life of your organization. All these records of progress are matters of common knowledge. As we come closer to the present day, the tempo of progress seems to be accelerating, not being arrested. Against the somber backdrop of the depression 30s, the stimulus of war touched off a blaze of new achievement. It revealed latent powers for production, not demonstrated before, powers which were inherent in our natural resources, our high-grade labor force, our accumulated capital, and our capacious credit reserves. That enlarged economic power made us the decisive contributor to victory and at the same time permitted the masses of our people to enjoy a higher average of consumption than they had ever known before. As I remarked in another connection about a year ago, even a war of such gigantic proportions did not reduce us to the blood, sweat and tears that were the lot of England and our other allies. "While individual deprivations and family losses were grievous, it could be said of the nation as a whole that we lost some blood, shed a few tears and got up a healthy sweat."

Edwin G. Nourse

Postwar Slump Prophesied

After the war many people, reasoning by analogy, prophesied that we would have a postwar slump, that demobilization would throw 8,000,000 or perhaps 10,000,000 workers into the ranks of the unemployed. But we passed from victorious war to vigorous peacetime reconversion with amazingly little lost motion. Assembly lines were switched back to peacetime goods, pipelines were filled and trade relations were reestablished. Consumers, with plump pay envelopes and an unprecedented reserve stock of liquid savings, resumed their normal but now enlarged role in the market as stimulators and guides of the productive process.

The Employment Act under which I have the honor to serve is a march-of-progress act. It calls for maximum production, employment and purchasing power, engendered by free competitive enterprise complemented by prudent but vigorous public enterprise and sustained over the years with only moderate ups and downs. I am not prepared to say that 1948 and 1949 precisely measure the maximum of production, employment and purchasing power for the United States, but I venture the thought that they may be accepted as at least "a reasonable facsimile thereof." As we now approach the year-end, I am not prepared to offer you any assurance, private or official, that we shall do precisely that well next year, throughout the decade of the 50s, or for the rest of this century. It is notable, however, that the events of the last 10 years or so, taken in the perspective of preceding decades, have given many thoughtful persons confidence to make projections that are about that optimistic. I need cite only two, which come from particularly significant sources and, by coincidence, both from persons whom I may call "colleague."

My former and long-time colleague, President Moulton of the Brookings Institution, in his recent book, "Controlling Factors in Economic Development," envisages a doubling of population during the next century and an eight-fold rise in general standards of living.

Mr. Keyserling's Optimism

My more recent colleague, Vice-Chairman Leon Keyserling, in his address, "Prospects for Economic Growth," at the Democratic Party Conference on Land, Water and Jobs in San Francisco a month ago, envisaged a march of progress for the next 10 years "founded conservatively upon rates of growth that we have achieved during good years in the past." On this basis, he said, "we can lift our total annual output of goods and services from $262 billion in 1948 to . . . about $350 billion by 1958."

This, he estimates, would permit almost all families to "reach a minimum income level of around $4,000," with more than $40 billion left to "improve income in the higher brackets." Farm incomes would gain "almost 35% . . . a somewhat more rapid relative gain than the population as a whole, because our rural areas have not yet attained the parity of income and opportunity which is both just and essential for an economy healthful in all its parts."

Furthermore, social security would be improved, health and education better provided for, the long-range resource development program enlarged, and "home building for all income groups stepped up to a pace which would provide a decent home for every American family." Finally, Mr. Keyserling argued that that projected national production would also "be enough to achieve balanced budgets, make large retirements on the national debts . . . and leave substantial room for tax reduction."

I am not too clear as to how Mr. Moulton derived his factor of 8. Nor am I altogether sure that Mr. Keyserling could simultaneously raise wages, farm incomes, and business profits so fast and at the same time reduce the public debt and cut taxes. But "hitching our wagons to the stars" has been good American practice, and it is not my purpose to quibble with the precise terms of either of these courageous projections. I want to call your attention rather to the fact that in both cases, the prospect of great progress is made conditional.

Mr. Moulton says plainly that his projection is only "concerned with economic **potentials**, as governed by resources and productive power." He thereupon turns to consider the kind of economic organization and practices, public and private, that would be needed to bring these potentials to actual fruition. "What principles, methods, or policies," he asks, "must be pursued in order to realize in fullest measure our national economic goals?"

Mr. Keyserling too, after outlining his 10-year targets, undertakes to put them in the perspective of reality by adding that, to achieve them, "we need ever-improved cooperation between labor and management," price and wage policies "which will allow enough capital accumulation to expand productive facilities and provide enough purchasing power to buy the full product . . . a satisfactory program for completing the postwar adjustment of agriculture," and government programs "to conserve and build up our natural resources, to improve the systems which give us security against the hazards and risks of modern industrial life, and to maintain that regulatory vigilance which prevents any one group from seeking to benefit unfairly at the expense of another."

No Easy Optimism

Now, what does all this review of predictions of progress lead up to? To me, it proclaims an almost self-evident truth that, with our traditions, our training, and our resources, the march of economic progress from here on **should** be even greater—much greater—than the quite creditable record of the past. But that does not mean an easy life for a generation born with a silver spoon in its mouth. No, it underlines a tremendous responsibility. Those dreams of progress will go a glimmering unless they are intelligently and diligently brought to pass. The free world looks to us to be the pacemakers of that progress, to be the rock on which the non-Soviet future can be built. To falter or to lag in our task would be to dishonor our fathers and to defraud our sons. But in all seriousness, I must say that as I look about me I am filled with real concern. I cannot indulge in easy optimism.

Both Labor and Business at Fault

As an economist, I do not see standards of life being raised adequately out of enlarged production when a great labor organization sees the current situation as "the occasion for a reduction in the hours of work" [to 35 or 30], "lest the productivity of the labor force exceed the power of the market to absorb the total production under prevailing and impending conditions," or when the czar of coal orders a 3-day week (21 hours) with full pay for a redundant labor force and when pensions at 60 are demanded for a population steadily becoming longer lived.

I am filled with apprehension too when I look to management and see it choosing the costs of banked fires and the demoralization of the delicate adjustments of supply lines and distribution patterns rather than capitalisti-

(Continued on page 30)

*An address by Dr. Nourse before National Retail Farm Equipment Association, Washington, D. C., Oct. 18, 1949.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bank and Trust Companies of New York — Comparative figures on leading companies for the third quarter of 1949—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Market Microscope—Analysis of the market as a whole—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Market Observations—Monthly report—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

Most Fascinating Business in the World — Brochure describing the processing of various kinds of transparent films, foils and other materials—The Dobeckmun Company, Cleveland 1, Ohio.

Over-the-Counter Industrial Stock Index — Booklet recording 10-year performance of 35 industrial stocks—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Stocks versus Dollars — Discussion of currency inflation—Jacques Coe & Co., 39 Broadway, New York 6, N. Y.

Titanium Metal—and five good companies well placed to make money from it—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available is a memorandum on **Bulolo Gold Dredging.**

* * *

Bingham-Herbrand Corporation —New circular—Wm. J. Mericka & Co., Inc., Union Commerce Building, Cleveland 14, Ohio.

Christiana Securities Company —Analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Colombia Bolivia—New study—Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Columbia Broadcasting System, Inc. — Analysis — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Consolidated Gas Electric Light & Power Company of Baltimore—Analysis—Stein Bros. & Boyce, 6 South Calvert Street, Baltimore 2, Md.

Douglas Aircraft Company, Inc. —Special review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

First Bank Stock Corporation of Minneapolis — Analytical study—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N.Y.

Gaspe Oil Ventures, Ltd.—Late data — L. D. Sherman & Co., 30 Pine Street, New York 5, N. Y.

Gulf Oil Corporation—Study—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Hugoton Production Company—Analysis — Hill, Richards & Co., G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Hoffman Radio Corporation—Analysis — Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

J. P. Morgan & Co., Incorporated—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New England Public Service—New Study—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Oregon Portland Cement—Late data—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Pennsylvania Railroad — Study in values—Hecker & Co., Liberty Trust Building, Philadelphia 7, Pa.

St. Louis San Francisco Railway Co.—Study—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a table of comparative figures on **Public Utility Bonds.**

Shatterproof Glass Corporation —Memorandum — Peter Barken, 32 Broadway, New York 4, N. Y.

Tishman Realty & Construction Co., Inc. — Analysis — Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Warner Bros. Pictures, Inc.—Summary and opinion—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Western Union — Brief memorandum—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

Wisconsin Bankshares Corporation—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

COMING EVENTS

In Investment Field

Oct. 27, 1949 (New York, N. Y.)
New York Group of the Investment Bankers Association annual dinner and election at the Hotel Pierre.

Nov. 15, 1949 (New York City)
Association of Stock Exchange firms annual meeting and election.

Dec. 4-9, 1949 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Dec. 9, 1949 (New York City)
New York Security Dealers Association 24th Annual Dinner at the Hotel Pierre Grand Ballroom.

Two With Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Mehrle K. Gouker and Bertram M. Meyer are now with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

With Bingham, Walter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — H. Paul Keller has become affiliated with Bingham, Walter & Hurry, 621 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with G. Brashears & Co.

With Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Walter A. Wolford, formerly with G. Brahears & Co., is now associated with Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

Opportunities for Bank Profits in Federal Refunding!

Sylvia F. Porter tells Iowa Bankers Treasury refunding operations by note offerings in open market will give leeway in purchasing government obligations in favorable maturity ranges. Sees billions of intermediate bonds, beginning in 1952, becoming eligible for bank purchase.

According to Sylvia F. Porter, Financial Editor of the New York "Post," and Editor of "Reporting on Governments," a weekly news letter on U. S. Government securities, "of the utmost practical interest to all bankers is the prospect that Treasury notes soon will again become a major medium for bond refundings and cash financings and that beginning in December, new trading and profit opportunities will open to banks."

Sylvia F. Porter

Speaking before the 63d annual convention of the Iowa Bankers Association at the Hotel Fort Des Moines on Oct. 18, Miss Porter forecast that a new era in government debt management will start soon. "The significance of the Treasury's August announcement that notes will be sold to refund the $4.3 billion of bonds called for December is being definitely underestimated by many investors," she said.

"This marks the first major move away from the postwar refunding pattern which has primarily involved certificates and just a few notes. It forecasts a return to the use of notes as a prime medium for bond refundings in the next couple of years and also for deficit financing, when and if necessary through the open market. Notes, which are government obligations maturing between one and five years, have virtually disappeared from the government list since the war.

"In 1950, there will be more note offerings to refund called bonds and quite possibly, notes to raise new cash in the spring. The 1953-1958 maturity ranges are definitely scheduled for filling as bond maturities come up for refunding in the next few years.

"Not only does this prospect mean that bankers will have opportunities to purchase government obligations in maturity ranges they favor. It also will have a direct impact upon the few bank-eligible issues now maturing in the mid-50s which have until now enjoyed an unusual scarcity value. In addition, it should be stressed that beginning in 1952, billions of intermediate bonds will become eligible for bank purchase. These supplies of bonds will drastically alter the government market picture.

"Banks which minimize or ignore the changing outlook will forfeit important chances to adjust their portfolios for maximum safety, income and appreciation."

Whichever way the refunding-financing problem of the Treasury is viewed, the above analysis makes sense, Miss Porter continued. "At today's interest rate levels, the Treasury may finance at costs most favorable to itself and even at higher rate levels, it will be in a favorable position. With coupons on maturing bonds ranging up to 3%, it has the widest latitude in choosing note coupons. It may save money in interest costs; it may meet bank demands for more varied offerings; it may extend the debt and prevent an undue and potentially dangerous concentration in the shortest-term area. It may, in truth, uphold a refunding policy of this nature as intelligent and fair. It makes sense. The August announcement was a first hint of what is to come.

"The key point for all institutions to remember is that the debt management and fiscal policies of the Treasury and the Federal Reserve Board will continue to exercise a profound influence on the investment markets for the rest of our lives. It is impossible for an institution to carry out a realistic investment program returning maximum income and profit within the bounds of appropriate safety unless that institution keeps closely informed on actual debt management moves and at all times is aware of the economic and political factors behind those moves."

Miss Porter predicted that in the coming shifts in government debt management policies will lie definite "opportunities for banks to improve their earnings while enhancing the safety of their portfolios. And in them will lie important clue to policies banks should follow in other markets, outside the highest grade government bond list."

There are opportunities for adjustments right now in the government market which many banks are overlooking, she added. "It has been long-standing tradition among bankers, for instance, to scatter maturities throughout a bond list and to place their portfolios primarily in shorts and intermediates and partly in longs. But this blind adherence to a policy because it is traditional and popular many be contrary to an institution's interests. As an illustration, a portfolio divided between certificates and the long-term bank-eligible 2½s may provide greater safety, earnings and chances of profit than a portfolio including various maturities and concentrated in such intermediates as the 1959/56 2¼s and the 1958/56 2½s. The certificates provide the safety and liquidity needed and since these may be rolled over from year to year, maturities may be made available at the various dates desired by the individual institution. The long-term bonds provide the earnings necessary. And since in this portfolio division, the weight of course would be on the certificates, by so adjusting its portfolio, an institution actually could decrease its risk."

The policies of the Treasury and the Federal Reserve Board at this moment may be characterized as in a state of "relative inertia." Miss Porter suggested. "For months, the business situation has been the key determinant in fiscal and debt management policies and it is now. In high Washington circles, opinion recently has become decidedly confident on the near-term outlook for business and barring disastrously prolonged strikes, authorities in the Treasury and Reserve Board expect satisfactory business to continue through the year-end. increases in bank loans are viewed as gratifying. Production in September rose at an impressive rate and would be up again were strikes not interfering. Tax receipts actually are running ahead of receipts in the comparable period of the fiscal year in 1948. The Treasury's balance is now over $5.5 billion, including the sterilized gold, which plainly

(Continued on page 22)

The Outlook for Interest Rates

By MARCUS NADLER*

Professor of Finance, New York University

Dr. Nadler, reviewing current situation affecting interest rates, forecasts little change in present level of both long-term and short-term rates in the foreseeable future. Says principle uncertainty in picture is fiscal position of Federal Government.

The trend of interest rates, short-term as well as long-term, depends primarily on business activity and the status of the Treasury. Both these factors have a direct bearing on the credit policies of the monetary authorities, which in turn exercise a powerful influence on the movement of interest rates. This was conclusively demonstrated during 1948 and during the present year.

Dr. Marcus Nadler

In 1948, when business activity was at a high level and the spiral of wages and prices was still in operation, and particularly since the Treasury had an excess of revenue over expenditures, the monetary authorities did not hesitate to raise the reserve requirements of the member banks and to permit a moderate increase in the short-term rate of interest. But despite the fact that the country was in the midst of a serious inflation and the demand for money on the part of industry and trade was very great, the authorities adhered to the policy of maintaining an orderly government bond market. They established a rate at which the Federal Reserve Banks were willing to buy government securities in the open market, and in support of the prices of government securities the Reserve banks actually bought several billions of long-term obligations.

The experience of 1948 taught some very important lessons, namely, (1) that the monetary authorities still consider credit measures important for influencing business activity, and (2) that irrespective of business activity and the movement of commodity prices, the government bond market has to be protected. Such protection is undoubtedly sound because the stability of the government bond market is an important fartor in the general stability of the economy. One may criticize some details of the policy but, broadly speaking, the basic philosophy underlying the support of the government bond market is sound.

Economic conditions in 1949 were quite different from those that prevailed in 1948. Business activity tended to decline. The index of industrial activity, which was 195 in October 1948, declined to 162 in July 1949. Commodity prices decreased and the number of unemployed rose. At the same time, the surplus of the Treasury was converted into a deficit. The monetary authorities were quick to realize the changed economic conditions and their policies also underwent a considerable change. Reserve requirements were lowered. The short-term rates of interest on government securities were reduced and a change in the open market policy of the Reserve authorities took place. Nevertheless, the Reserve Board reiterated that the policy of maintaining the government bond market orderly would remain unchanged.

The Outlook for Short-Term Rates

As in the past, the outlook for short-term rates will depend on business activity and the policy of the Treasury. Right now the economy of the country is witnessing an upswing which is partly seasonal in character and partly the result of the replenishing of inventories. To what extent threatening and actual strikes in some of the basic industries have contributed to the accumulation of inventories it is difficult to say. While the trend of business is upward the demand for bank credit is bound to increase, and this in turn will release the pressure on the banks to acquire government obligations.

Whether the present upswing will continue and carry through 1950 no one can tell. It will depend to a large extent on the readjustment which some of the heavy goods industries, notably steel and automobiles have to go through. If the upswing in business does continue, however, a moderate firming in short-term rates can be expected. On the other hand, if business activity next year tends to decline, money rates will witness a further moderate decline. The swings in short-term rates, however, can only be very moderate in character. One may state with a fair degree of certainty that in all probability the swing in the certificate rate, which at present is the most important short-term rate, may fluctuate between 1 and 1¼%.

The operations of the Treasury will also play an important role in the money market. In the first place, it is known that the Treasury is operating with a substantial deficit and will have to appear in the market as a borrower. Already last August the Treasury borrowed through increasing the supply of Treasury bills. Secondly, the Treasury will be confronted with the task of refunding a large amount of matured and called

(Continued on page 35)

*An address by Dr. Nadler at the Annual Convention of the Commercial Finance Industry, New York City, Oct. 24, 1949.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

For the first nine months of the current year net operating earnings as reported by New York City banks have been maintained at a generally stable level.

Although there have been a number of divergent trends within the banking field, the different forces have tended to offset each other with the end result one of relative stability in operating earnings.

The decline in business activity which began around the latter part of last year was accompanied by certain deflationary forces. This was reflected in a reduction of inventories by retailers and wholesalers and the liquidation of bank debt on a large scale. Since the middle of the year there has been a reversal of the loan decline, due to restocking of supplies and merchandise as well as some seasonal factors, making for a larger loan volume. Nevertheless, commercial loan totals remain below those for the comparable period of last year.

Accompanying the decline in business activity and loan volume has been the adoption by the monetary authorities of certain measures to ease credit.

Of particular importance in this connection is the reduction of required reserves. Approximately a year ago, reserve requirements at central reserve cities were equal to 26% of net demand deposits. After two reductions of two percentage points, they are now at 22%. There has also been a reduction in the reserves required on time deposits from 7½% to 5%. These reductions have released about $800 million for lending and investing.

These funds and those provided by the lower demand for business loans were for the most part invested in U. S. Government obligations and to a small extent in other securities. Thus while there was a larger volume of earning assets available, their effect was offset by the lower yields obtainable from U. S. Governments and the smaller volume of business loans with the result that operating earnings were little changed.

The following tabulation shows the net operating earnings of those New York City banks which make such figures available on a quarterly basis. Per share figures are shown for the first three quarters of the current year compared with those for the similar period of 1948.

REPORTED OPERATING EARNINGS PER SHARE

	First —Quarter—		Second —Quarter—		Third —Quarter—		Nine —Months—	
	1949	1948	1949	1948	1949	1948	1949	1948
Bankers Trust	$0.72	$0.87	$0.80	$0.76	$0.74	$0.69	$2.26	$2.32
Chase National	0.58	0.63	0.57	0.64	0.54	0.60	1.69	1.87
Chemical Bank	0.75	0.73	0.67	0.75	0.73	0.74	2.15	2.22
Commercial National	0.81	0.86	0.83	0.85	0.78	0.75	2.42	2.46
Guaranty Trust	4.28	4.27	4.46	4.05	4.78	4.85	13.52	13.17
Irving Trust	0.34	0.33	0.33	0.32	0.35	0.33	1.02	0.98
*Manufacturers Trust	1.16	1.19	1.17	1.20	1.15	1.07	3.48	3.46
J. P. Morgan	3.20	3.89	3.43	3.80	3.92	2.95	10.55	10.62
†National City	0.81	0.77	0.81	0.80	0.79	0.80	2.40	2.37
New York Trust	1.55	1.56	1.54	1.58	1.62	1.69	4.71	4.83
Public National	1.09	1.13	1.14	1.19	1.15	1.23	3.38	3.55

*Adjusted to present capitalization—2,250,000 shares. †Includes City Bank Farmers Trust Company.

In reviewing the foregoing figures several considerations should be kept in mind.

All banks have not followed a uniform method of reporting net operating earnings. The different institutions have seen fit to handle their reserves for bad debts in various ways. Some utilize the tax saving derived from the bad debt reserve to add to valuation accounts. Others use recoveries or existing unallocated reserves. Some make certain charges against earnings. In most cases there is a combination of several of these methods.

For example in the above comparison, Chase Bank reports operating earnings after certain charges have been made against them for bad debt reserves. Guaranty Trust, on the other hand, reports net operating earnings before such charges. While there is no criticism involved, the different accounting considerations should be kept in mind in reviewing the earnings statements.

Another factor which should be remembered in connection with the operating earning figures is that of security profits. The reversal of the trend of interest rates during the past year has meant that a more favorable showing in this division of the profit account is likely this year. Several banks reported losses in security transactions last year; these should all be converted into profits in 1949, with the result that total earnings will compare favorably with those of a year ago.

In regard to the trend of operating earnings for the final quarter of the year, the pattern should continue to be one of relative stability with final results comparable to those of 1948.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Robert C. Childs, James H. Denney, Richard L. Gollwitzer, Lane Jonap and Arthur L. Moore are now affiliated with Bache & Co., National City East Sixth Building.

With Wm. C. Roney & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Thomas C. Giradot has become associated with Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

When Stockholders Weigh Their Banks

By MORRIS A. SCHAPIRO*

President, M. A. Schapiro & Co., Inc., Investment Bankers

Bank stock expert, in commenting on current market values of leading bank shares considerably below their estimated book values, cites as reasons for this situation: (1) unfavorable impact on investors of low interest rates, rising operating costs and high income taxes; (2) penalizing of bank stockholder by monetary authorities; and (3) low earning power of banks. Foresees difficulties in obtaining new bank capital.

Today we are to discuss the stockholders' view of banks. What do stockholders really think of their banks? There are about 14,200 operating commercial banks and trust companies in the United States. Their stockholders have an aggregate equity of about $10.6 billion, as indicated by the total capital accounts of these institutions on June 30, 1949. We cannot presume to speak for all banks. Obviously, there are too many individual groups and classifications of banks and their stockholders to make generalizations for all.

Moreover, it is difficult to speak for all the stockholders of any one individual bank. There are groups among stockholders whose interests are at times not parallel. For example, there are the stockholders who are customers of the bank; those who have other business relations with the bank; those who are employed by the bank, and finally, there are the stockholders who are interested only in their investment. They are the owners of the banks in the purest sense.

Some banks have done better than others. We know that changes in the last 20 years, political, economic, legislative and social, have created more prosperity for some banks and less for others. The rate of population growth, rapid in certain areas, slow in others, has been a major factor in changing economic activity. So has the shift by industry to new centers, as well as the establishment of new enterprises. Banks doing a retail business, serving the broad, general public, have fared better than wholesale banks with important but relatively fewer cutomers. The impact of low interest rates, rising costs and high taxes has affected some banks more adversely than others.

Weighing Market Value of Bank Shares

When stockholders weigh their banks, they must necessarily count the value of their shares in the market place. Let us, therefore, consider the market value of a selected group of 50 large, well known banks. In this group are banks, few in number, whose ownership among private and institutional investors is nationwide. These 50 constitute by far the largest portion of the 14,200 operating commercial banks and trust companies in the United States, whose shares are quoted and traded daily. Undoubtedly, the valuation of these leading bank shares affects the market for all bank stocks.

When stockholders weigh their banks, the recurring question is, "Why is my stock selling for less than book value?" And let us here define book value as the total per share of common capital stock account, surplus, undivided profits, and reserves for contingencies. It is the stated net worth, or the stockholders' equity per share based on official reports to the banking authorities. Some stockholders whose investments are recent ask also, "Why is the additional stock which my bank allowed me the privilege of subscribing at a discount from this book value three or four years ago, selling now for less than what I paid?"

These questions are often countered with — "True, bank stocks are selling at a discount, but so are the securities of other businesses." It is generally conceded that many common stocks are selling below their intrinsic values. Banking, however, is different from other businesses. In the case of banks, book values are usually realizable, often readily realizable through merger, sale of assets, or even outright liquidation. Investment in plant and equipment is relatively low. Obsolescence and wear and tear are not as important in the case of banks. The book value of a bank is not comparable with the book value of an industrial. Thus, the question remains—Why, Banks at a Discount.

Market Values Compared to Liquidating Values

Before answering, let us first illustrate the discount market which has prevailed now for some years. The table herewith presents this group of 50 banks and three representative bank holding companies. Shown therein are the book values per share on June 30, 1949, the market prices on that day, and the percentage discount from book value for each bank. For purposes of uniformity, the book value or net worth is based on the total capital accounts shown in the printed legal statement published in response to the call as of June 30, 1949. In this

(Continued on page 32)

BANK	Book Value of Common Capital Stock	Market Price 6-30-49	% Discount from Book Value
NEW YORK:			
1. National City	52.86	38¾	26.7
2. Chase National	47.36	33½	29.3
3. Guaranty Trust	370.30	262	29.2
4. Manufacturers Trust	62.79	47¼	24.7
5. Bankers Trust	55.30	38	31.3
6. Central Hanover	128.58	85¾	33.3
7. Chemical	46.50	39⅜	15.3
8. Irving Trust	23.48	15⅛	35.6
9. Bank of Manhattan	31.24	22	29.6
10. J. P. Morgan	301.97	223	26.2
11. First National	1,413.26	1,150	18.6
12. New York Trust	114.91	81	29.5
13. Corn Exchange	61.13	52¼	14.5
14. Public National	62.53	37¼	40.4
15. Commercial National	67.09	42¼	37.0
16. United States Trust	790.63	575	27.3
17. Brooklyn Trust	203.90	107	47.5
CHICAGO:			
18. Continental Illinois	105.83	72½	31.5
19. First National	221.39	169	23.7
20. Northern Trust	973.03	495	49.1
21. Harris Trust	432.29	293	32.2
22. City National Bank	344.78	175	49.2
DETROIT:			
23. National Bank Detroit	41.80	31	25.8
24. Manufacturers National	187.59	134	28.6
25. Detroit Bank	79.31	55	30.7
BOSTON:			
26. First National	54.29	45½	16.2
27. National Shawmut	42.62	22¼	47.8
PITTSBURGH:			
28. Mellon National	325.89	270	17.1
29. Peoples First National	49.81	31½	36.8
PHILADELPHIA:			
30. Philadelphia National	86.17	88½	*2.7
31. Pennsylvania Company	35.84	31	13.5
32. Fidelity-Philadelphia	81.30	46	43.4
33. Corn Exchange	73.37	39	46.8
CLEVELAND:			
34. Cleveland Trust	348.68	248	28.9
35. National City	45.00	30½	32.2
36. Central National	45.00	25	44.4
CALIFORNIA:			
37. Bank of America	29.50	39	*32.2
38. Security-First	76.09	56½	25.7
39. American Trust	66.33	45¼	31.8
40. California Bank	65.92	44½	32.5
PORTLAND (Ore.):			
41. First National Bank	87.63	63	28.1
CINCINNATI:			
42. First National Bank	35.16	19¼	45.3
43. Fifth Third Union	275.38	138	49.9
ST. LOUIS:			
44. First National Bank	49.18	44	10.5
45. Mercantile Commerce Bank	210.11	145	31.0
46. Mississippi Valley Trust	64.81	46	29.0
KANSAS CITY:			
47. City National Bank	353.50	270	23.6
48. Commerce Trust	49.91	43	13.8
PATERSON (N. J.):			
49. First National Bank	75.17	37	50.8
JERSEY CITY (N. J.):			
50. First National Bank	217.53	76	65.1
BANK HOLDING COMPANIES:			
1. Marine Midland Corporation	14.67	7⅛	51.4
2. Northwest Bancorporation	48.50	23½	51.5
3. First Bank Stock Corporation	26.29	17¼	34.4

*Premium.

*An address by Mr. Schapiro before the National Association of Bank Auditors and Comptrollers at its Annual Convention, Philadelphia, Pa., Oct. 25, 1949.

38th Annual Convention of IBA at Hollywood, Fla., Dec. 4-9

The 1949 Annual Convention of the Association will be held at the Hollywood Beach Hotel, Hollywood, Fla., beginning on Sunday, Dec. 4, and ending on Friday, Dec. 9. Hollywood provides an unusually satisfactory site for an IBA convention, and has proved


Albert T. Armitage


Hazen S. Arnold


Mark C. Elworthy


John F. Fennelly


Joseph T. Johnson


Laurence M. Marks

to be one of the Association's most popular meeting places. Those who have attended earlier conventions there will recall that they were among the most successful and enjoyable in the Association's history.

The final details of the convention program have not yet been fully completed and cannot be announced at this time. The program will, however, follow the pattern of recent years. There will be a convention session each morning from Monday through Friday. Prominent speakers will address these sessions. In addition, there will be two or three meetings of the Board of Governors; and most of the national committees of the Association will hold meetings during the convention and will present their annual reports at that time. An open meeting of the Municipal Securities Committee will be held on Sunday afternoon. With the exception of this meeting, and possibly one or two other committee meetings, it is not planned to schedule any business sessions for the afternoon.

The Association's Public Education Committee will hold a Public Relations Forum at the hotel beginning Saturday morning, Dec. 3, and continuing through Sunday morning. While this will not be a part of the convention program, members who arrive in Hollywood prior to the convention will be welcome to attend.

REGULAR TICKET

The Board of Governors will submit to the convention the Regular Ticket for 1949-50. This ticket will be voted on at the final session on Dec. 9, and will be as follows:

For President

Albert T. Armitage, Coffin & Burr, Incorporated, Boston.

For Vice-Presidents

Hazen S. Arnold, Braun, Bosworth & Company, Toledo.
Mark C. Elworthy, Elworthy & Co., San Francisco.
John F. Fennelly, Glore, Forgan & Co., Chicago.
Joseph T. Johnson, The Milwaukee Company, Milwaukee.
Laurence M. Marks, Laurence M. Marks & Co., New York.

CONVENTION REGISTRATION FEE

A registration fee of $40 will be charged for each delegate and alternate. No fee will be required for wives or members of the press. Checks covering registration fees should be made payable to the Association and forwarded to the Chicago office.

It is an established policy of the Association that only those who are definitely eligibile under the By-Laws may attend an annual convention. It will therefore be impossible to comply with requests to take guests to the convention, other than members of the immediate family of a delegate or alternate.

HOTEL ARRANGEMENTS

All reservations for rooms for the convention must be made through the Chicago office of the Association. The white form which accompanies this bulletin should be used for this purpose.

Hotel rates will be on an American Plan basis as follows:

Double Rooms (2 persons)	$16 per day per person
Double Rooms (1 person)	$24 per day
Single Rooms	$16 per day
Parlors	$10 per day

The hotel will not be open for guests until the afternoon of Friday, Dec. 2. Beginning then, it will be able to accommodate a limited number who wish to arrive before the opening of the convention. It will also be able to accommodate a limited number who wish to stay over after the convention. The rates quoted above will apply for the period preceding the convention and for 10 days after.

Most of the rooms at the Hollywood Beach Hotel are double rooms. The single rooms are limited in number and are on the land side of the hotel. As double rooms will not be assigned for single occupancy unless it develops at the last minute that there is unused

(Continued on page 37)

The Railroad Picture

By R. J. MORFA*

Chairman of the Board, Missouri-Kansas-Texas Lines

Contending railroads operate within maze of antiquated Federal and state regulations, executive condemns government subsidizing of competitors to rails in transportation field. Warns railroad rates today are dangerously near point where further increases will tend to drive away business. Concludes, if present government regulations continue, railroads are headed for government ownership.

The railroad industry today is in a critical situation. That critical situation has been brought about by a number of progressive developments which are in the main beyond the control of railroad management. It is some of these developments that I wish to explain to you.

In the first place, labor and material costs on the railroads have spiraled tremendously since the beginning of World War II, which has added many millions of dollars to railroad operating costs. I know full well that the railroads are not alone in this experience, but these items, together with taxes, have approximately doubled railroad operating expenses since 1939, and they are important factors which must be taken into account in a consideration of the overall railroad situation.


Raymond J. Morfa

On the other hand, railroad freight rates in that time have gone up approximately 57%, which is a figure considerably below the average increase in the prices of commodities of all kinds, and the cost of living index. Nevertheless, railroad rates today are dangerously near the point where further increases will tend to drive business to competing transportation agencies, and railroad management realizes that further relief will have to come from the practice of strict economy in operation, and from a greater volume of traffic.

The railroads cannot, as in most all other industry, quickly adjust their prices to meet rapidly changing conditions. The increased rates granted to date came only after expensive and time-consuming hearings before the Interstate Commerce Commission, and the rates were fixed by the Commission and granted many months after their need became apparent. During the lag period the railroads were without needed relief while their cost of doing business was increasing at a rapid pace.

The point I wish to stress here is the fact that the railroads of our nation operate within a maze of antiquated Federal and state regulations covering almost every operating procedure, with a controlled rate structure which is intensely rigid. These handicaps make it exceedingly difficult for them to keep abreast of changing conditions, and to promptly and adequately meet the transportation demands of our growing and expanding industry.

Inroads of Competing Agencies

Great inroads are being made today in the rail traffic volume because of vigorous activity by competing agencies of transportation, particularly the truck lines, which enjoy a liberal government subsidy in their operations. These agencies of transportation are also almost completely free of regulation in the matter of establishing rates and in other operating methods.

I know all of you have read or heard in recent months comment, pro and con, on the subject of truck subsidies, but you cannot make a fair appraisal of the situation without having all the facts before you. It is this subject that I wish to discuss in some detail with the hope that I can give you a clearer picture of the situation as it actually exists today.

The fact that the trucking industry is substantially subsidized is becoming universally recognized by government officials, economists and business leaders. Results of many studies made by federal and state highway commissions show conclusively that the heavy trucks are falling far short of paying their way on the highways of our country.

Here are a few concrete examples of the enlightening results of some of these surveys: A study in the State of California showed that it cost 22% more to build highways for both passenger and heavy truck traffic, and 55% more to maintain these highways, than for passenger cars and light trucks only. A survey conducted by the highway department of the State of Pennsylvania showed that roads used by heavy trucks cost **16 times more** to maintain than roads used by ordinary traffic. This same study developed that heavy trucks and trailers form 4% of Pennsylvania's total traffic, pay 12% of the motor fees and gasoline taxes, but cause approximately 90% of the highway damage.

Many other studies in other states have brought to light similar facts, and if these conditions prevail in other states the situation cannot be far different here in Texas.

The truck lines claim that by the payment of taxes they are paying their way on the public-owned highways. A factor here that is overlooked is that whatever taxes the truck industry pays, that is **all they pay** for the use of their rights-of-way, which are the highways. A true comparison must be made with the over-all cost borne by the railroads for providing, maintaining and paying taxes on their rights-of-way. Our railroads have an average value of $80,000 a mile, which was paid for by the railroads. Maintenance costs average $5,000 a mile, and on top of this the railroads pay an average of $1,200 a mile a year in taxes to local and state governments. And

(Continued on page 31)

*An address by Mr. Morfa before the Fort Worth Lumbermen's Club, Fort Worth, Texas, Oct. 20, 1949.

Mutual Funds

By HENRY HUNT

Assets Reach New High of $1,775,000,000

Net assets of 87 leading mutual funds reached a new high of $1,775,000,000 on Sept. 30, 1949, according to figures compiled by the National Association of Investment Companies.

Other statistics recently released by the Association which are of interest follow:

	*1st 9 Mos. 1949	*1st 9 Mos. 1948	% Change
Gross Sales	$259,676	$198,503	+30%
Liquidations	$ 66,936	$ 92,787	—28%
Net Sales	$192,740	$105,716	+83%
Shares Traded on N.Y.S.E.	176,775	225,503	—22%

*000's omitted.

Third quarter gross sales, the best of any quarter in several years, were at an annual rate of nearly $400,000,000. In this connection, it might be well to point out that third quarter sales are normally below those of the other three quarters, including as it does the slow summer months.

The upturn in the market, the increasing interest of member firms as well as greater appreciation on the part of investment salesmen of the merits of mutual funds are all contributing factors to the splendid sales record hung up during the past three months.

The cumulative effect of both direct mail and newspaper advertising, backed up by aggressive selling, is bearing more plentiful fruit. In this connection, get yourself a copy of the coming Nov. 14 issue of "Life." It will contain a two-page ad on mutual funds prepared by Arthur Wiesenberger & Co.

Ed Murrow Says:

Money still talks but the interval between saying hello and goodbye seems to be growing shorter.

TV Set Shortage

"Leading manufacturers have returned to an allocation basis of supplying distributors, in a realistic indication of the heavy demand for television receivers.

"The strong sales picture this fall proves the viewpoint of those industry observers who held the summer sales slump was a seasonal pattern, similar to that established by radio. A resurgence of demand has been accompanied by greater stabilization in prices, after what one industry leader termed 'an admittedly disturbing readjustment period.'

"At a meeting of the Chicago Television Council, executives of six major teleset manufacturers forecast a continuation of the current strong demand for TV sets, even after the Christmas season. Among the manufacturers represented were Admiral, Motorola and Zenith.

"The trade publication 'Retailing Daily' sums up the retail trade aspect of television as follows: 'TV's rush toward merchandising glory has been altogether swifter and more profitable than any other commercial activity on the record. Unlike other businesses which have suffered reversals recently, video's faltering pace this summer was really an inevitable shakeout rather than a genuine slump. And although there will undoubtedly be similar shakeouts for television in the future, no doubt exists in anyone's mind that the industry's road can only lead upward.' "—From a bulletin issued by **Television Shares Management Co.**

Customers Should Also Be Owners

"If more people had an ownership stake in the great American business corporations which have developed the nation's resources and which have contributed so importantly to the high standard of living which the country enjoys, it seems to us that the political and economic atmosphere in which business functions would be a healthier one.

"Virtually everyone in the country is a **customer** of American business concerns. But if considerably more people were also **owners** of these same business concerns, the resulting mutuality of interests would contribute mightily to a stronger, sounder economy. Also, an important by-product of such a development would be an expanded source of equity capital which is of such vital importance to a dynamic and expanding economy.

"Of considerable interest in this connection are the comments of Thomas B. McCabe, Chairman of the Board of Governors of the Federal Reserve System, which appeared in a recent report to the Committee on Banking and Currency of the U. S. Senate. Observing that there are many potential investors among such people as farmers, skilled laborers, proprietors of small businesses and professional men who would like to invest money in common stocks if they knew how to go about it, he called attention to investment trusts as at least a partial solution. Treating the matter of obtaining wider public interest in common stocks as a major problem of the times, he suggested that one desirable means at hand was through the medium of investment trusts which have **'diversified holdings of preferred and common stocks and other securities, and thus can offer the small saver diversification of risk together with the higher income to be derived from equity shares.'**

"Commenting upon the argument that common stocks involve some degree of risk taking, Mr. McCabe states: 'I agree that there is a certain element of risk involved in the ownership of equity shares. Yet there is little ground in past experience to support the broad premise that many permitted bond investments involve less risk than carefully selected common stock. In general I feel that informed and flexible investment policy together with sound judgment are much to be preferred to rigid legal restrictions. The experience of endowment funds of educational institutions, as well as of the fire insurance industry, which operate under more liberal investment regulations, has demonstrated that diversified investment in common stocks along with other types of securities can produce better than average return."—From **Vance, Sanders'** "Brevits."

"National's" Opinion

The Economics Staff of **National Securities and Research Corp.** recently summed up its outlook for business as follows:

"**It is our opinion that business activity will continue at a relatively high rate during the remainder of this year. For the first half of 1950, we believe business generally will continue at the approximate rate which prevailed in the last half of 1949.**

"Increased public confidence and a continuation of **general business activity at this high rate would indicate corporate earnings and dividends at a level that could support stock prices generally higher than those currently prevailing.**

"**Variations as to industry and issues will be wider over the period ahead and, therefore, careful selection is of vital importance.**

"**All factors considered, we believe surplus funds should be invested to take advantage of the relatively high income now available from many sound securities.**"

The Need for "Living Insurance"

Americans are the most highly insured people in the world. The most popular types of insurance make provision for death. However, few people can stop working and go on living without being in financial distress. Realization of this and a determination on the part of the people of this country to correct this economic weakness is shown by the marked increase in "E" Bond purchases and savings deposits.

The future security of the salaried worker and the wage-earner cannot be left to chance. Only through careful planning and sticking everlastingly to a savings program can one hope to reach the goal of financial security. It is very important that savings be protected from the dangers present under postwar conditions. **Inflation can threaten us for years and small savings need protective safeguards against its ravages** just as much as, if not more than, the wealth of the professionally advised capitalist.

To put immediately to work monthly savings of $50 or multiples thereof, **Eisele & King, Libaire, Stout & Co.**, 50 Broadway, New York 4, have inaugurated "RESERVE WEALTH ACCOUNT." Through the use of such an account, anyone can aim for any of a number of financial objectives, select the desirable medium of a mutual fund for investment and budget his monthly or quarterly surplus, assigning these monies to the plan or plans he has set out to fulfil.

Analyzes Harvard's Investment Policies

A. T. Lyman, Jr., of the research staff of the George Putnam Fund, traces distribution and shifts in assets of university's endowment fund in last decade. Notes little change in policy of maintaining balance between high grade fixed income securities and common stock.

A research report by A. T. Lyman, Jr., of the research staff of the George Putnam Fund in Boston, Mass., reveals the shifts in the distribution of investments held by the Harvard University Endowment Fund during the last decade.

The Harvard portfolio on June 30, 1949, according to the report, had a market value of $206,600,000. This was equivalent to 107.7% of the $191,800,000 book value (cost) of holdings. The average rate of return on book value of investments was 4.31%. The table below shows that the principal shift in type of investments was the decrease in Government bonds, and the increase in bonds other than U. S. Governments.

General decline in market quotations accounts for the percentage drop in common stocks, since about half of the year's addition to principal was invested in equities. In the bond account, however, striking changes were made. All long-term U. S. Governments, amounting to $40,500,000, were sold and $30,500,000 was reinvested in very short maturities, effecting a reduction of 18% in Government holdings. The balance of $10 million went into the Other than Government Bond Account. This shift was completed between June 30 and Dec. 31, 1948, representing a continuation of a previous policy of seeking better yields, or equivalent yields and shorter maturities in high grade corporates. This policy was first observed in the year ending June 30, 1948.

DISTRIBUTION OF INVESTMENTS BY TYPE
Per Cent of Market Value as of June 30th

	1929	1932	1937	1941	1946	1947	1948	1949
Cash & U. S. Govts.	9.0%	6.2%	2.2%	6.9%	28.3%	34.7%	28.6%	24.9%
*Other Bonds	47.6	62.0	51.7	42.1	19.1	14.4	†18.5	†24.3
Preferred Stocks	5.5	5.5	8.2	11.5	10.0	9.4	9.3	9.1
Common Stocks	25.1	12.4	30.7	34.7	41.0	39.9	42.2	40.1
Real Estate & Mtges.	12.8	13.9	7.2	4.8	1.6	1.6	1.4	1.6

*Other than U. S. Govt. Bonds. †Includes Commercial Paper.

Changes in Non-Government Bond Holdings

Within the bond list, exclusive of the Governments, there is only one major change, the increase in industrials:

BREAKDOWN OF BOND PORTFOLIO EXCLUDING U. S. GOVERNMENTS
Percentage of Book Value as of June 30th

	*1929	*1932	*1937	*1941	1946	1947	1948	1949
Municipal	2.0%	---	1.1%	8.5%	1.7%	.8%	5.6%	3.5%
†Foreign	7.0	7.5%	4.3	2.1	18.2	17.2	5.9	5.0
Railroad	23.4	14.0	15.9	8.3	31.2	29.7	24.8	16.1
R. R. Equip. Trust	1.6	2.0	2.2	7.7	8.9	8.0	14.9	15.8
Public Utility	37.0	55.3	44.6	41.5	22.6	27.9	29.2	24.9
Industrial, etc.	29.0	21.2	31.9	31.9	17.4	16.6	19.6	34.7
	100%	100%	100%	100%	100%	100%	100%	100%
‡Non-Governments	84.2%	91.0%	95.9%	86.0%	40.3%	29.4%	39.3%	49.3%

*Percent of market value. †Primarily Canadian in recent years. ‡As a per cent of total cash and bond holdings.

The above percentage figures are deceptive because of the large increase in total non-Government holdings. Utility Bond holdings

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of B. Albert Stern to G. Peabody Mohun will be considered by the Exchange on Nov. 3. Mr. Mohun will continue as a partner in Stern, Lauer & Co.

Julius D. Schlein, member of the Exchange, will retire from partnership in Jerome Melniker & Co. Oct. 31.

actually were increased 28%, Equipment Trusts 59%, and Foreigns 27%, while Municipals were down but 6% and Rails down only 1% in Book Value. The industrials showed an actual 63% increase as well as a large gain relative to the other non-governments. The increase in industrials was heavily weighted in short-term Finance Company obligations. Convertibles were favored in utility bond purchases which included $1.6 million of the A. T. & T. issues of '59 and '61.

Shift in Maturities

Continuing the trend evident in June 1948, bond maturities were shortened drastically. In the bond portfolio as a whole maturities under five years now comprise 64.5% against 29% a year earlier. Government bond maturities were reduced to a maximum of five and one-half years against only 25% under five years in 1948. Commercial Paper, 82% of it in Finance Company notes, was increased from four to $7.9 million. Another interesting developments was the $2,500,000 (150%) increase in serial notes of Finance Companies with three to seven year maturities.

Changes in Common Stocks

The common stock section shows a 37% increase in utilities and a sharp reduction in bank holdings. The decline in rail, insurance, and industrial percentages is entirely relative, i.e., the amount invested in each of these groups increased less rapidly than the total common stock investment.

DISTRIBUTION OF COMMON STOCK INVESTMENTS

	*1929	*1932	*1937	*1941	†1946	†1947	†1948	†1949
Railroads	10.8%	3.2%	2.2%	1.1%	2.4%	2.3%	1.8%	1.6%
‡Public Utilities	30.1	29.0	9.7	10.8	15.7	18.5	18.3	22.9
Banks	7.5	7.5	6.4	7.5	15.1	14.2	13.9	10.7
Insurance	3.2	3.3	5.4	15.0	10.6	9.9	10.2	10.0
Industrial, etc.	48.4	57.0	76.3	65.6	56.2	55.1	55.8	54.8

*Percent of Market Value as of June 30. †Percent of Book Value. ‡Include Telephone & Telegraph stocks.

The Utility Section featured an increase of over 100% in Gas stocks, particularly in the field of natural gas production and transmission. Among the electric utilities Holding Companies are prominent, led by 48,000 shares of North American Company as a new addition. The industrials showed the following distribution:

INDUSTRIAL COMMON STOCKS
(June 30, 1949)

Oil	30.6%	Glass and Containers	3.8%
Miscellaneous	13.1	Electrical Equipment	3.1
Retail Trade	12.6	Farm Equipment	3.0
Chemical and Fert.	12.2	Automobile	2.8
Food and Beverages	5.9	Soap	2.4
Building Supply and Equipment	4.3	Tobacco	2.0
Mining and Smelting	4.2	Total	100.0%

*Percentages Based on Market Value.

The State Street influence shows clearly in the Oils where book value of investments increased 27% although this does not show up in the table because last year's percentages were based on the 1948 bull market in Oils. Emphasis in purchases was on crude producers while stocks of two large refiners were sold, and a third reduced. Producers now dominate. Drug and Medicine holdings were sharply reduced and no longer appear among the larger groups.

Food and Beverage, Mining and Smelting, Tobacco, and Chemical holdings were reduced moderately while Retail Trade stocks were increased somewhat. Major increases were made in Glass and Containers, Building Materials, and Electrical Equipment.

The 12 largest additions to common stocks at cost were:

American Radiator	$621,000	Texas Pacific Coal & Oil	$702,000
General Electric	738,000	Illinois Power Co.	513,000
Owens-Illinois Glass	759,000	North American Co.	741,000
Kennecott Copper	649,000	Public Service Co. (Indiana)	546,000
Louisiana Land & Expl. Co.	564,000	Wisconsin Electric Power	484,000
Skelly Oil Co.	952,000	Mississippi River Fuel	1,047,000

Conclusions

Perhaps more significant than the changes made in the past year is the overall continuity of policies despite the change in management. Successful investment requires constant readjustment to changing factors in the money market, industry prospects, and within individual companies. Such readjustments, rather than any fundamental differences in policy, appear to account for the shifts in holdings during the past year.

Long Treasury bonds were shifted to short, high grade corporates; but the balance between good quality fixed income securities and common stocks remained virtually undisturbed. The sharp cut in Bank stocks was balanced by increases in Utilities and Insurance. Industrials were increased moderately, but in the overall increase as well as in the shifts within the industrial list, the emphasis continues on the more stable income producing industries. The five largest groups in the industrials in 1948 remain in the same order in 1949.

The lack of radical change in the Harvard portfolio establishes this fact—successful management of a conservative fund for income purposes rests on the following fundamental principles:

(1) Balance between high grade fixed income securities and common stock.

(2) Emphasis on stable income and growth type industries in common stock holdings.

(3) Constant reappraisal of money market, industry, and company prospects and prompt readjustment to changes as they appear.

Bache & Co. Employee Contest on Advt.

Bache & Co., 36 Wall Street, New York City, has inaugurated a contest for employees for the best suggestion in fifty words or less as to what the firm should do in the field of advertising or sales promotion. A prize of $100 will be given for the best idea.

The contest will be judged by a board comprised of Harold L. Bache, A. C. Schwartz, George Weiss, Sam Smith and Adolph Woolner. The closing date for the contest is Nov. 30, and Henry Gellermann of the Advertising Department, is recipient for all suggestions.

With Wm. S. Beeken Co.

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, FLA.—Jack R. Brumbaugh is now associated with William S. Beeken Co., Harvey Building.

Courts Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, GA. — Arnold F. Wiegand, Jr. has been added to the staff of Courts & Co., 1303 First Avenue.

With W. V. Raynor

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—Alice M. Raynor is with the Walter V. Raynor Co., First National Bank Building.

Must Meet Socialist Trend Head On!

By EMIL SCHRAM*

President, New York Stock Exchange

Mr. Schram, citing progress of gas industry in U. S. under private operation, points out its ability to lower costs through larger investment. Contrasts progress of American privately-owned gas industry with that of British under nationalization. Criticizes expansion of Reconstruction Finance Corporation as socialistic trend which must be met head on, and reiterates most effective way to increase equity investment is by removing obstructions created by Federal tax structure.

From the heart of Texas and other natural gas fields, great pipelines are radiating north, west and east to supply metropolitan centers such as Chicago. Areas most remote from the sources of supply, like New York and the New England States, are expected soon to add to the huge markets that have developed. Some 3,500 miles of transmission lines were authorized last year, which brought the total to more than 251,000, and earlier this year applications for an additional 4,600 miles of new lines were pending before the Federal Power Commission.

Emil Schram

For a time it seemed that whenever one scanned the financial pages to observe the new issues, it was a pipeline security that was being offered. Nor is the manufactured gas business standing still. One must be impressed with the steady growth in the revenues of manufactured gas companies from such by-products as coke and tar, and the time is approaching when the gas industry will be recognized essentially as a chemical industry. Your business is unique in that an old industry is one of those most rapidly expanding in point of physical quantities and funds invested.

Yours is one of the country's fastest growing industries. Construction expenditures this year will be in the neighborhood of $1,000,000,000, making the total in the three years of 1947-49, inclusive, around $2.500.000,000, and for the three years 1949-1952, inclusive, according to the excellent study of the American Gas Association, the sums of capital needed will be even greater, or approximately $2,800,000,000. Incidentally, your year book, "Gas Facts," is one of the most complete surveys of any industry which I have had the pleasure of examining.

It is easy to be an optimist on the gas industry of these United States. The technological advances and organizing abilities responsible for the industry's progress, plus successful financing involving vast sums of money, exemplify the type of cooperation that is characteristic of the American economy. It is cooperation by voluntary action of several factors working together rather than cooperation imposed from above. The border between regulation and direction is sometimes a thin one. No one would seriously contend that the gas industry is under-regulated. As yet, and as long as the leaders of the industry are able to resist any proposal which would transform regulation into direction, I have no fear of the gas industry's future.

I want to linger for a moment on the cooperative phase of the operations of your industry, in which respect it is not exceptional, but typical. Corporations that do a good job are, in effect, cooperatives in every sense of the word, and they also pay taxes. Public service corporations, especially, cannot function in the pitiless light of publicity indefinitely except as they meet the demands of the community for essential services at low cost—for good wages and opportunities for development on the part of labor, for elbow room and recognition for management, and for a reasonable return to the investor. In connection with costs to the consumer, you have again epitomized the reason for our country's economic strength.

Taking all items in the consumers' price index of the Department of Labor, Bureau of Labor Statistics, in 1935-39 at 100, the index is now around 169; for food, roughly 202; for wearing apparel 189; for gas and electricity less than it was in the prewar base period.

Larger Investment—Lower Costs

I had occasion, last week, to speak before the Conference on Distribution in Boston. I repeat what I said there about the new American frontier, because it is so perfectly applicable to the gas industry:

"The order of events is larger investment, lower costs, larger output and, finally, lower selling prices and enlarged consumption."

That economic society will prevail in the long run which meets these specifications best. I am less interested in the name we give it than how it functions.

One of the depressing aspects of the British situation is the eagerness of the Conservatives, or at least one group of them, to claim for themselves the establishment of the so-called welfare state. It may be of some interest to you to remove our attention overseas and see what has happened to the gas industry in Britain during the period of great achievement in the American industry. Back in June, 1944, and before the Labor Government came into power, a Committee of Enquiry into the gas industry was appointed to review the structure and organization of the gas industry.

It was also to advise what changes had become necessary in order to develop and cheapen gas

(Continued on page 30)

*An address by Mr. Schram before the 31st Annual Convention of the American Gas Association, Chicago, Ill., Oct. 20, 1949.

Canadian Securities

By WILLIAM J. McKAY

With a greater dependence on freedom of world trade and international currency convertibility than almost any other country, Canada curiously enough has in recent years pursued a general policy which to great degree has operated in a contrary direction. In most instances elsewhere stark necessity has dictated the imposition of strict exchange controls, import restrictions, and engagement in long-term bilateral commercial transactions. On the other hand, Canada, with the sole exception of this country, is better placed than any other to give forthright expression to the principles of absolute freedom of trade and finance. Canada's vast wealth of virgin natural resources not only precludes any great risk involved in freeing her economy but the prosecution of such a policy in itself would also bring about an earlier and fuller development of this latent economic strength.

Recent Canadian commercial and financial policies have followed the course that has perforce been adopted by countries where the economy has reached a fully mature stage and is moreover in a declining trend that calls for artificial manipulation and strict monetary management. As a result undue attention is paid to the state of the exchange reserves; the level of such reserves tends to become the principal detriment of economic policy. The almost embarrassingly high level of the Canadian official holdings of gold and U. S. dollars in 1946 was an important contributory factor which led to the upward revaluation of the Canadian dollar at that time. A decision to take advantage of this extremely strong situation by the abolition of exchange controls would have been undoubtedly a happier alternative course of action. Similarly the unfortunate consequences of this hasty revaluation of the currency led to a severe drain on the exchange reserves which in turn provoked the institution of the drastic import restrictions of November, 1947.

Failure to adopt a bold independent economic policy has, moreover, placed the Dominion unduly at the mercy of economic events both in this country and in Britain. There are now unmistakable indications that Canada can no longer rely on the ability of either country to provide a happy solution of the Dominion's future economic troubles. Even while in the throes of her own difficulties Britain went to extreme lengths to supply Canada with U. S. dollars in payment of Canadian imports; the new British restrictions on imports from the dollar area preclude entirely further efforts in this direction. In a similar way this country has rendered extraordinary assistance to the Canadian economy both during and since the war; in this connection it is necessary only to mention the Hyde Park Agreement, the abnormally large E.C.A. offshore purchases, and the special arrangement for Canadian wheat supplied to the United Kingdom. It would now appear that economic and political considerations will seriously curtail, if not terminate absolutely, further extraordinary gestures of this kind.

There still remains, however, a constructive course of action that could speedily alter the complexion of Canadian economic prospects for the period immediately ahead based on the following measures:

(a) Abolition of exchange restrictions.

(b) Removal of foreign trade restrictions.

(c) The establishment of a single rate of exchange for both commercial and financial transactions.

(d) Devaluation to an easily maintainable level, for example 15% under present circumstances.

In this way a strong stimulus would be given to the entry of U. S. investment capital to the extent necessary to offset the deficit on commercial account. In addition, U. S. interest in the banking field would be encouraged as the institution of one exchange rate would permit U. S. banks to participate on an equal basis with Canadian banks in commercial as well as financial exchange transactions. The removal of the present restrictions which now impede the free movement of U. S. capital and goods across the northern border would also serve to pave the way for the establishment on an equitably reciprocal basis of a permanent overall U. S.-Canadian economic agreement.

During the week the external section of the bond market was firm with trading still on a small scale. The internals were slightly weaker in sympathy with the easier tendency of free funds. It was somewhat surprising, however, that the heavy supply of funds for early November delivery produced only a fractional decline in the "free" dollar market especially in view of the cessation of demand on tourist account. It is possible that some of the current buying of free funds can be attributed to the unfounded rumors concerning the raising of the U. S. gold price; any eventual action in this field will be arranged through the International Monetary Fund on an international scale and the extent of the realignment of the Canadian dollar will at least equal that of the U. S. dollar. Stocks continued strong led by the golds and Western oils. There was an especially heavy U. S. demand for Royalite and Calgary & Edmontons.

Hadley Hanson to Open

Hadley Hanson will open offices at 52 Wall Street, New York City, to engage in the investment business. He was formerly with Security Adjustment Corp. of Brooklyn, Brady & Co. and Cohu & Co.

Heads National Assn. of Investment Companies Group

Dorsey Richardson, Vice-President and Director of The Lehman Corp., has again been appointed Chairman of the Administrative Committee of the National Association of Investment Companies, it is announced. Merrill Griswold, Chairman of Massachusetts Investors Trust, and Hardwick Stires, a general partner of Scudder, Stevens & Clark, and Vice-President and Director of Scudder, Stevens & Clark Fund, Inc., were appointed as new members of the Administrative Committee.

Dorsey Richardson

The Association announced at the same time the election of five new members of its Executive Committee for three-year terms: Merrill Griswold; Hugh W. Long, President of Manhattan Bond Fund, Inc., and New York Stocks, Inc.; James H. Orr, President of Gas Industries Fund, Inc. and Railway and Light Securities Co., and Trustee of The Bond Investment Trust of America; Harry I. Prankard, 2nd, President of Affiliated Fund, Inc., American Business Shares, Inc., and Union Trusteed Funds, Inc.; and Edward P. Rubin, President of Selected American Shares, Inc. Ten other members will remain on the Executive Committee until their respective terms expire.

John M. Sheffey continues as Executive Secretary of the Association.

The First Boston Corp. Completes Two Secondaries

The First Boston Corp. completed after the close of the market, Oct. 24, secondary distributions of 97,000 shares of American Cyanamid Co. common stock and 35,000 shares of Anchor-Hocking Glass Corp. common stock.

Offering price on the American Cyanamid stock was $45.25 per share less a concession of $1 per share to members of the National Association of Securities Dealers, Inc.

The Anchor-Hocking Glass common was sold at $33.50 per share less a concession of 90 cents per share to members of the NASD.

Halsey Stuart Group Offers Sopac Equips.

Halsey, Stuart & Co. Inc. and associates were awarded Oct. 25 $15,780,000 Southern Pacific Co. equipment trust, series CC, 2⅛% equipment trust certificates, due $1,052,000 annually Nov. 1, 1950 to 1964, inclusive. The certificates, issued under the Philadelphia plan, were reoffered, subject to Interstate Commerce Commission authorization, at prices to yield from 1.20% to 2.50%, according to maturity.

The certificates will be issued to provide for the following new standard-gauge railroad equipment, estimated to cost not less than $23,670,000: 41 Diesel electric locomotives, 760 gondola cars, 650 flat cars and eight lightweight passenger train cars.

Recommend Passage of Reed Bill Providing for Gold Convertibility of Dollars at $35 an Ounce

Members of Economists' National Committee on Monetary Policy advocate measure as immediate step toward general restoration of confidence, stabilization of exchanges and promotion of international trade and investments.

The Economists' National Committee on Monetary Policy has released the following statement which was signed by 47 of its members:

The downward readjustment of the British pound in terms of American dollars, announced on Sept. 18, has been rapidly followed by devaluations in many currencies which have themselves no definitely fixed relationship to gold. The American dollar, and, to this time, the Swiss franc, have maintained their nominally defined parities in gold. In this way they have preserved, on the whole, a fairly constant relationship with each other, and are affording fixed points of reference for the fluctuating "soft currencies" now settling at new and possibly more realistic levels.

The bulwark afforded by the American dollar in these days of confusion in the exchanges and turmoil in the world's markets should be promptly reinforced by genuine convertibility of our currency into gold at the statutory rate of $35 an ounce, as provided in H.R. 3262. Until dollars can be freely converted into gold the establishment of stable, de-controlled and simplified exchanges throughout the world may prove insuperably difficult for the following reasons:

First: Because increasing maldistribution of the world's monetary gold is threatened. Stepped up production of gold, in South Africa and elsewhere, as a result of the recent "soft currency" devaluations, should cause gold to gravitate toward the closely guarded United States monetary hoard and toward private hoarding in other countries, the latter stimulated by depreciation of their currencies.

Second: Because the present inconvertibility of non-gold dollars, as well as of non-gold Swiss francs, into gold at their official parities, magnifies doubts as to their continued stability in terms of gold and thereby limits the usefulness of these so-called "hard currencies" in substituting for gold either as a store of value or as a dependable medium of international payments.

Third: Because this latent insecurity of the American dollar, stemming from its inconvertibility into gold, robs the world's exchanges of the definitely grounded basic standard without which they can establish neither fixed rates vis-a-vis the dollar, nor, for this reason, among themselves.

Fourth: Because the policy of the United States in offering dollars for gold at the parity established by Congress in 1934, and refusing to release gold unconditionally in exchange for dollars at the same rate, makes impossible the establishment of any really free or significant markets in gold.

Fifth: Because this seizing upon and impounding by, the United States of the lion's share of the world's monetary gold stocks and of current gold production renders the more difficult such limited redistribution among the central banks of other countries as will permit maintenance of any new parities.

In view of the above considerations, the undersigned members of the Economists' National Committee on Monetary Policy urge, at this time, the passage of H.R. 3262 which, by making the American dollar fully convertible into gold, would prove a most effective step toward general restoration of confidence, reduction of hoarding, stabilization of exchanges, and easing the health-giving flow of international trade and investments.

SIGNED

CHARLES CORTEZ ABBOTT
Harvard University
CHARLES C. ARBUTHNOT
Western Reserve University
JAMES WASHINGTON BELL
Northwestern University
H. H. BENEKE
Miami University, Oxford Ohio
CLAUDE L. BENNER
Continental American Life Insurance Co., Wilmington, Del.
ERNEST L. BOGART
New York City
FREDERICK A. BRADFORD
Lehigh University
J. RAY CABLE
John B. Stetson University
WILBUR P. CALHOUN
University of Cincinnati
CECIL C. CARPENTER
University of Kentucky
ARTHUR W. CRAWFORD
Chamber of Commerce of the United States, Washington, D. C.
WILLIAM W. CUMBERLAND
Ladenburg, Thalmann & Co., New York City
REV. BERNARD W. DEMPSEY, S. J.
St. Louis University
D. W. ELLSWORTH
E. W. Axe & Co., Inc., Tarryton, N. Y.
FRED R. FAIRCHILD
Yale University
CHARLES C. FICHTNER
Buffalo, N. Y.
HERBERT F. FRASER
Swarthmore College
A. ANTON FRIEDRICH
New York University
ROY L. GARIS
University of Southern California
E. C. HARWOOD
American Institute for Economic Research
HUDSON B. HASTINGS
Yale University
WILLIAM F. HAUHART
Dean Emeritus, Southern Methodist University
JOHN THOM HOLDSWORTH
The University of Miami
MONTFORT JONES
The University of Pittsburgh
DONALD L. KEMMERER
University of Illinois
WILLIAM H. KIEKHOFER
The University of Wisconsin
FREDERICK E. LEE
University of Illinois
J. L. LEONARD
University of Southern California
EDMOND E. LINCOLN
du Pont Building, Wilmington, Del.
A. WILFRED MAY
Executive Editor, "The Commercial & Financial Chronicle," New York City
ROY W. McDONALD
Donovan, Leisure, Newton, Lumbard and Irvine, New York City
DAVID H. McKINLEY
The Pennsylvania State College
FRANK PARKER
University of Pennsylvania
CLYDE W. PHELPS
University of Southern California
CHARLES L. PRATHER
The University of Texas
†HOWARD H. PRESTON
University of Washington
LELAND REX ROBINSON
76 Beaver Street, New York City
R. G. RODKEY
University of Michigan
OLIN GLENN SAXON
Yale University
CARLTON A. SHIVELY
The New York "Sun"
WALTER E. SPAHR
New York University
‡CHARLES S. TIPPETTS
Mercersburg Academy
JAMES E. TRANT
Louisiana State University
RUFUS S. TUCKER
Westfield, N. J.
RUSSELL WEISMAN
Western Reserve University
NATHANIEL R. WHITNEY
The Procter & Gamble Co., Cincinnati
MAX WINKLER
Bernard, Winkler & Co., New York City

†Advocates conversion into bar gold in fairly large amounts, e. g., $1,000.
‡For gold bullion, not gold coin standard.

Henry W. Hall, Jr. With Merrill-Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE. — Henry W. Hall, Jr. has become associated with Merrill Lynch, Pierce, Fenner & Beane, Wilcox Building. In the past he was manager of the Municipal Department for Holt, Robbins & Werschkul.

The Gold Dollar—A Check On Government Spending

By PHILIP LeBOUTILLIER*
President, Best & Co.
New York State Chairman, Gold Standard League

Prominent New York merchant attacks government extravagance made possible by our present system of inconvertible currency, as threatening further inflation. Holds restoration of gold convertible standard would safeguard human liberty for simple reason it limits power of government to squander money. Notes decline of 47% in purchasing power of dollar since 1939.

Daniel Webster once said, "Of all the contrivances for cheating the laboring classes of mankind, none has been more effective than that which deludes them with paper money."

Lenin said: "There is no subtler, no surer means of over-turning the capitalistic society than to debauch the currency."

Philip Le Boutillier

The Federal budget deficit for the calendar year 1949 will be at least $10 billion: and more and more big appropriations are voted daily.

At the end of World War I, the national debt was around $25 billion and, in the next few years with the U. S. on the gold standard it was cut to approximately $16 billion.

Irredeemable paper currency was inaugurated in the U. S. in 1933 by Roosevelt and now, four years after World War II, the gross national debt is over $256 billion and rising again since the Administration early this year so eagerly took again to the deficit financing road.

The Administration taxing and spending policies are fundamentally wrong and, if not soon changed. will bring the paper dollar to ruin.

The best visualization of U. S. Government spending that I have seen appeared in the New York "Sun" of July 22 and it shows clearly where we are today and where we are headed.

The second big gold brick that Roosevelt forced down U. S. throats in the 1930's was the Lord Keynes theory of deficit spending and the idea that the Government debt may rise harmlessly to any figure; that a country may spend itself into permanent prosperity.

Both these ideas are imported and both these colossal blunders have now come home to roost with a vengeance.

In the Congressional Record of Sept. 23, pp. 13446-13447, from a letter by Ross Roy of Detroit inserted by Senator Ferguson of Michigan: ". . . I would like to point out a few facts which I have had our research department obtain apropos a Federal budget of $45,000,000,000:

"(1) If everyone in the United States cashed in all of his life insurance policies. the total would amount to $44,000,000,000. This would not be enough money to run the Government for one year.

"(2) If every urban home owner in this country sold his home. the total would amount to $30 000,000,000. That's just enough to run the Government for eight months.

"(3) If every farmer in this country sold his farm. farm equipment. and livestock, the total would amount to $25 000,000,000. The Government could not run for seven months on that amount of money.

"(4) If every industry converted its net working capital into cash, the total would amount to $39.000,000,000. That's hardly enough to run the Government for 11 months."

All these items represent the people's savings which have taken millions of our citizens decades to accumulate.

Senator Byrd and others have worked hard to stop this profligate waste, but they have not succeeded. It is obvious by this time that all such efforts have failed. The fact should be faced that the public purse has been delivered into the hands of pressure groups. both domestic and foreign. This situation cannot be changed until our money is made redeemable. When we get a redeemable currency our people will regain their control over the public purse.

Since an irredeemable currency frees a government from any effective control by. and responsibility to the people, such a government can by expansion and depreciation of the people's money. reduce and ultimately destroy. the value of their savings, their wages, their profits, their insurance, their pensions, their annuities, their corporate surpluses, their church and other endowment funds, their ability to earn, their incentives, their self-reliance, and also their honesty.

Next to the Constitution itself, in protection of the people against improper powers of the Government, is the gold coin standard of money at a fixed rate. This retains in the people what historians of Constitutional Government call "The Power of the Purse." Among the early acts of Mussolini, Lenin and Hitler was the requirement, under threat of penalty of fine, imprisonment or even death, that all gold coin and gold be turned in to the government, which substituted paper money that can be managed by the government, generally to inflate it and finally to devalue it. Among the nations today prohibiting the ownership of gold or gold coins to the people, are Soviet Russia, Socialistic England, Rumania, and The United States of America.

The gold standard is a safeguard of human liberty for the simple reason that it limits the power of the government to squander money.

The vital things that need to be done in the monetary field now are to maintain fixity in our standard monetary unit and to make all our currency redeemable in gold.

The monetary Utopians always say they have discovered a monetary system which will provide an easy remedy for all mistakes and abuses, without our having to suffer the consequences therefrom. The remedy is always the same: printing of more and more paper money.

The only organization which has actively and consistently opposed all these monetary fakes, since 1934, is the Economists' National Committee on Monetary Policy (No. 1 Madison Ave., New York City). The Gold Standard League is organized on a Statewide basis to aid and supplement the work of that committee.

As Esau sold his birthright to Jacob for a mess of pottage so are large blocs of voters selling their and your inheritance (of

(Continued on page 35)

*Address by Mr. LeBoutillier before the Iowa Bankers Association. Des Moines, Iowa, Oct. 18, 1949.

Devaluation and Prices

By GEORGE A. RENARD*
Secretary-Treasurer, National Association of Purchasing Agents

Asserting there is no mathematical relationship between percentage of devaluation and prices, Mr. Renard warns no one can predict trend of particular commodity price. Foresees, however, overall tendency toward lower prices because consumption cannot keep up with production at present price levels. Condemns substitution of fuzzy theory for tested policy in monetary matters and holds sterling value cut will be futile without further economic reforms. Points out international trade cannot be stabilized until a fixed convertible medium for exchange is adopted.

Don't allow anyone to camouflage the meaning of *plus*, or interpret *minus* to mean maybe. And don't allow anyone to sell you the idea that some new form of higher mathematics will allow an individual or a company, or the government, or the world, to live beyond its means. There is a "Sweat of the Brow" Rule that has not been repealed or revised.

G. A. Renard

Too many people find the recent hullabaloo about foreign currency devaluation is something out of this world — that it might as well be printed in Sanskrit. In fact, similar stories probably were — because the ancients had economic and social planners, as well as politicians and bureaucrats. Of course they were labeled wise men, alchemists, soothsayers and court jesters, but their occupational activities and projects paralleled rather closely those of our present-day highbrows and votetrappers.

Two of the ancient research projects have never failed to be sure-fire attractions; so, they continue to have priority attention from modern alchemists and wise men. The one was the search for a fountain that will spray old-age security on anyone that gets wet, and the other was a process for making a fast buck by turning common metals into gold. Press releases over the centuries have reported progress from time to time, in the development of something for nothing. But nature has always continued to take its course, and the search has continued to march along.

Again we have soothsayers in charge of operations and, if they can really make gold or money worth any price that suits their purpose, that fountain of youth will be just around the next bend in the road.

The boss British economic planner didn't even go through any magic notions or hand-is-quicker-than-the-eye chatter. He just put out a radio announcement saying: "Until midnight the pound sterling is worth United States money $4.03, but, after that, it is only worth $2.80." And as you know, a dozen other countries immediately followed along that trail. Some held off for a few days.

But immediately something queer began to happen — prices began to girate in International Trade. Some British prices shot up 40% for export sales; some Canadian prices shot up 10%, roughly the amount of the currency devaluations. But Senor Peron hopped in with a rather naive announcement of policy. The Argentine peso is to have a variety of separate and distinct values in foreign transactions: one for buying, another for selling; and more or less "custom-tailored" rates are to come out of the hat for special customers and certain commodities.

Imagine doing business with an escalator clause like that — the price to rise or fall at time of delivery, to meet the currency value then in effect. And that as a matter of fact is the situation that you have—regardless of one or two or three governments in the world who may wish to hold things steady, when you have others on the loose with all kinds of currencies, you know what you are up against.

Rubber Money

We have no reason to become self-righteous, for these maneuvers are fair, formal and proper under the accepted rules of currency management, under numerous international agreements and, to make the cheese more binding, we got into this game early, and are stuck with it.

Rubber money and elastic measuring standards were formerly comic or criminal, in our school books—depending on who was using them, for what; but, they are now accepted in polite society as standard tools for "economic controls" or a "planned economy." For all practical purposes changing a 2,000 pound ton to 1,600, or 2,400 pounds; or a four-peck bushel to three, or five, pecks, is as easy as falling off a log, if you can up-or-trim 25% on the price by financial sleight-of-hand.

So long as there is no fixed, definite, permanent standard for dollars, pounds, etc., which are the accepted measures of money, the money itself is a rubber yardstick. And recent events prove that our modern alchemists, economic hucksters, and political soothsayers claim the right and admit they have the ability to change the value of money to suit conditions and plans.

Of course, when enough customers get wise to the mirrors and plush curtains being used in the act, perhaps another conference, welfare plan, or full-employment program will take the stage and distract our attention.

Back in 1933, the situation for

(Continued on page 31)

*An address by Mr. Renard before the Purchasing Agents Association of New York, New York City, Oct. 18, 1949.

The Philosophy of the Fair Deal

By OSCAR R. EWING*
Federal Security Administrator

Security head asserts President Truman's program is achieving purpose of freeing citizens from haunting anxieties over health and economic disaster. Accuses Harding, Coolidge, and Hoover administrations of having served financial interests, making inevitable the 1929 collapse.

Fair Deal philosophy can best be understood if it is first contrasted with the political philosophy of its opponents. Alexander Hamilton is, even today, the spiritual leader of the Republican Party. It was his belief that if only business were prosperous, everything else would take care of itself; that if factories were humming, there would automatically be high wages for labor; and that with these wages, labor would buy the products of the farm. It was a philosophy that demanded prosperity for the financial interests at the top of the economic structure in the expectation that a fair share of the benefits would trickle down to those below.

Oscar R. Ewing

The heart and core of the New Deal and Fair Deal philosophy, on the other hand, is the importance of the individual—the importance of you and me and every man, woman and child. *They* are what count—not 150 million people as a mass, but 150 million separate and distinct individuals, each with his own right to life, liberty, and the pursuit of happiness. And when individuals are in distress, we believe in helping them directly rather than making them solely dependent upon the indirect help that may result from the prosperity of those above. Recent history has classic examples of how these contrasting political philosophies work.

The administrations of Harding, Coolidge and Hoover served the financial interests with utmost fidelity. The emphasis was on profits and economic stability. The money-getters and traders were in the saddle and they rode the country hard. They made the collapse of 1929 inevitable.

And when the break came, what cure did Mr. Hoover suggest? He caused the Reconstruction Finance Corporation to be formed to lend *government* money to the banks, the railroads, the insurance companies. But for jobless, starving people—no money, just rugged individualism.

"After Roosevelt"

Contrast this with what happened after the inauguration of Franklin Roosevelt. Under the New Deal, assistance was given not only to those at the top—the banks, the railroads and the insurance companies—but direct aid was also given to every other group in need of help. Programs were enacted for direct help to farmers, to debt-burdened home-owners, to unemployed youth and to all the other victims of the business collapse.

Nothing shows better the contrast between the philosophy of the Fair Deal and the philosophy of our opponents than the Bible parable of Lazarus and Dives. Lazarus, as you will remember, was the beggar who crawled in and ate the crumbs that fell from the table of the rich man Dives. Now, our opponents' way of helping Lazarus would be to pile more food on Dives' table to that more crumbs would fall to the floor for Lazarus to pick up and eat. In contrast, the Fair Deal way, the Roosevelt-Truman way, would be to help Lazarus directly as a man to clean up, to put on some decent clothes and then help him get a job.

Mankind entered the 20th Century full of hope for freedom, democracy, abundance. World War I shattered those dreams, particularly for Russia and Germany. The people of Russia, released from the thralldom of the Czars, did not know how to use their new-won freedom. Having had no experience with democratic political machinery, they quickly succumbed to a new tyranny far more terrible than that from which they had escaped—totalitarian communism. The seduction of the German people took longer but it followed the same pattern. With a war-shattered economy, enormous reparation debts and inexperience in making democracy effective, they succumbed to the deceptive talk of one who promised them not only relief from their burdens but conquest of the world. And they eagerly embraced totalitarian fascism.

The capture of both the Russian and German people by the totalitarians was made possible by the confusions and anxieties that beset them. Their problems seemed insoluble. Whichever way they turned was bafflement and bewilderment. Their economies were destroyed, their religions were challenged, there seemed no hope. In their despair, the masses wanted someone else to make their decisions, they wanted to escape from responsibility and surrender their individuality to some massive, external authority. Lenin and Stalin seemed to be the answer for the Russians and Hitler for the Germans. They promised a new heaven and a new earth.

The totalitarian state completely dominates the lives of its people. It destroys the existing social and economic structures, it annihilates all independent groups and diverse loyalties. It supresses political opposition and intellectual freedom. The ruling party is invested with absolute power. An all-pervasive and merciless secret police makes sure that that power remains absolute. The only contests for power take place within the ruling group. The masses are awed into a terrified political apathy.

We know that today, largely as a result of the depression and the war, our own people are deeply disturbed with anxieties. We Americans have seen an entire economic structure completely collapse, leaving millions jobless, starving, hopeless. This was followed by a war that disrupted our homes, robbed our young people of the best years of their lives and left us victorious over one totalitarian aggressor but faced with another no less menacing. Many of us are full of apprehensions and anxieties. What does tomorrow hold? What about my job? What would happen if serious illness strikes me or my family? Can my children get a decent education? Can I save enough for a respectable old age?

If a free society is to win the battle for men's hearts and souls, it must furnish some surcease from the apprehensions and anxieties that lead men to surrender their freedom for the phantom promises of totalitarianism. The Fair Deal is doing this by furnishing certain minimum basic securities. Our social security laws provide minimum protection against the hazards of old age and unemployment. Through health insurance, we hope to provide protection from the catastrophe of sickness and disease. Our housing laws will give decent shelter to more and more of our people. Our minimum wage laws put a floor under wages so that men cannot be forced to work for starvation pay. Federal aid to education, when it comes, will help give every boy and girl equal educational opportunities so that none will, except of their own accord, remain the slaves of ignorance and the victims of industrial incompetence.

These great programs of the Fair Deal will strengthen the ring of freedom that centuries of struggle has drawn around Western man.

Churchill's Tests of Freedom

What is this freedom that the Fair Deal is designed to strengthen? Fortunately, the tests of freedom have been phrased in words of classic grandeur by Winston Churchill, who is certainly no flaming radical. I will read these tests; and as I read them, I ask you to apply them to each and every item of the Fair Deal program and you will see that the program is completely within the framework of our cherished freedoms. Here are Churchill's words:

"(1) Is there the right to free expression of opinion and of opposition and criticism of the government of the day?

"(2) Have the people the right to turn out a government of which they disapprove, and are constitutional means provided by which they can make their will apparent?

"(3) Are there courts of justice free from violence by the Executive and free of all threats of mob violence and all association with any particular political parties?

"(4) Will these courts administer open and well-established laws which are associated in the human mind with the broad principles of decency and justice?

"(5) Will there be fair play for poor as well as for rich, for private persons as well as government officials?

"(6) Will the rights of the individual, subject to his duties to the state, be maintained and asserted and exalted?

"(7) Is the ordinary farmer or workman, earning a living by daily toil and striving to bring up his family, free from the fear that some grim police organization under the control of a single party, like the Gestapo, started by the Nazi and Fascist parties, will tap him on the shoulder and pack him off without fair or open trial to bondage or ill-treatment?"

The Fair Deal answer to each of Mr. Churchill's seven questions is yes—seven times yes. But these questions and their answers have another value. They enable you to judge the rubbish handed out by those who talk scornfully of statism and the welfare state as though the Fair Deal would destroy our freedom.

The fundamental purpose of the Fair Deal is to set men free, to free them from haunting anxieties tha destroy their peace of mind, to fulfill the promise of the Declaration of Independence which declares that man has certain inalienable rights, among which are Life, Liberty and the pursuit of Happiness. Our opponents talk mostly to the right of liberty—generally their own liberty—and seem to forget that the right of life and the right to the pursuit of happiness are equally fundamental. The right to life is something more than police protection from physical violence. The right to life means the right to a job, since few men can live without a livelihood. The right to life means the right to good health, since good health is fundamental to a full life. The right to life and the pursuit of happiness means a right to an education since ignorance is to the enemy of abundant living. The right to life means the right to security when the body is too worn to work further, since life is hollow when it is surrounded by the anxieties of an end in the poorhouse.

The opponents of the Fair Deal fail to comprehend today's problems. They seem to have no understanding of any anxieties but their own. They interpret the slightest effort toward social change as the hot breath of revolution. They do not realize that a free society must offer positive answers to the haunting anxieties that beset modern man or else he is left vulnerable to the blandishments of totalitarianism.

Despite the opposition, the New Deal and the Fair Deal have met and will continue to meet these needs of our time. The New Deal took a land that its opponents had left broken and despairing and gave it new confidence in itself. These opponents had well-nigh destroyed men's faith in democracy as a workable way of life. The New Deal restored it. The Truman Fair Deal would perfect it. Within the framework of every freedom that our ancestors and we have developed, the Fair Deal seeks to make the state a better servant of our people. Those of us who toil daily in the arena of practical politics know that perfection will never come, but we also know that, out of these daily struggles, slow and painful progress is being made and that the Fair Deal philosophy is leading us upward to a better America.

*A speech by Mr. Ewing before the 18th Annual New York "Herald Tribune" Forum, New York City, Oct. 24, 1949.

NSTA Notes

SECURITY TRADERS CLUB OF ST. LOUIS

The Security Traders Club of St. Louis has installed the following new officers:

John W. Bunn

Earl Hagensieker

Edward Senturia

Edward Oldendorph

Kenneth Kerr

David S. Matthew

President: John W. Bunn, Stifel, Nicolaus & Co., Inc.
First Vice-President: Earl Hagensieker, Reinholdt & Gardner.
Second Vice-President: Edward Senturia, Newhard, Cook & Co.
Third Vice-President: Edward Oldendorph, Smith, Moore & Co.
Secretary: Kenneth Kerr, A. G. Edwards & Sons.
Treasurer: David S. Matthew, White & Co.

National Committeemen are Richard H. Walsh, Newhard, Cook & Co.; Jerome F. Tegeler, Dempsey-Tegeler & Co.; Charles W. Hahn, Scherck, Richter Co., and John W. Bunn.

NASHVILLE SECURITY TRADERS ASSOCIATION

The Nashville Security Traders Association have elected the following officers for 1950, to be installed Jan. 1:

President: Fred K. Kirtland, Hermitage Securities Company.
Vice-President: Martin B. Key, J. C. Bradford & Company.
Secretary-Treasurer: Edward L. Kirkpatrick, Clark, Landstreet & Kirkpatrick.

RECUPERATING

Clarence E. Taylor, Vice-President of Strader, Taylor & Co., Inc., of Lynchburg, Va., was stricken with a heart attack while attending the National Security Traders Association Convention and is recuperating at the Glockman-Penrose Hospital, Colorado Springs, Colo., where he will remain for another month. He would be glad to have his friends drop him a line at the hospital.

Clarence E. Taylor

Gulf Oil Research Costly But Worth While

Head of new research laboratory of the Gulf Oil and Refining Corporation at Harmarville, Pa., reveals value of research despite its increasingly heavy expense.

PITTSBURGH, PA.—The changing character of the duties of an industrial research director were discussed here by Dr. Paul D. Foote, Executive Vice-President and Director of Research, Gulf Research & Development Company, and Vice-President of Gulf Oil Corporation and Gulf Refining Company.

Dr. Paul D. Foote

"When I first engaged in industrial research twenty-two years ago," reminisced Dr. Foote, immediately after the recent dedication of the Leovy Laboratory of Geophysics at Gulf's Research Center, at Harmarville, Pa., 20 miles east of Pittsburgh, "I was an academic type of fellow and enjoyed working in the laboratory with the physicists and chemists.

"These were then the primary functions of a research director—to originate ideas; to inspire; to enlighten; to infuse and diffuse the investigational spirit; to nurture the germ of inventive genius; and to accomplish this it was necessary to have intimate contact with the laboratory and with the technical personnel.

"I recall how happy I was," continued Dr. Foote as he strolled through one of the chemical laboratories in the Gulf research center on whose 57-acre tract more than 40 main buildings are devoted to many phases of petroleum research, "when I could go into the laboratory and actually work right along with the scientists and technicians while they were experimenting.

"Back in 1933, for example, we were working on the development of 100-octane gasoline, at that time almost a laboratory curiosity and some twelve years later sold to the Army and Navy at the rate of half a million barrels a day to win the war for democracy."

Dr. Foote in 1927 came from the U. S. Bureau of Standards, to Gulf to head a Mellon Institute Fellowship on Production Research. His plans included the organization of a geophysical department, that naturally began with research and development and followed through with actual field operations when its equipment and techniques were considered ready for use. It was about 21 years ago that the nucleus of the organization, now housed in the new $1,500,000 Leovy Laboratory, was assembled.

"But along about 1933, a new change came over America. The planned economy system was enforced requiring increased help, especially of a non-technical nature, in the laboratories and everywhere else.

"A modern industrial research director is a poor, worried fellow. He is surrounded by a battery of extracurricular specialists such as: A budget controller, vice president in charge of questionnaires, tax expert, labor relations expert, auditor, patent and legal counselors, business manager, and the like. One result of this maze of management activity is increased cost of research, and of course similar increased costs have occurred in every phase of American business."

Back in November, 1929, Gulf had about 60 employees in its research department when it moved into a new building on Kraft Street, Pittsburgh. From there it moved to Harmarville in April 1935, with the real expansion of the research department starting two years earlier. Today, Gulf Research & Development, a subsidiary of Gulf Oil Corporation, has 1,027 employees at Harmarville, and some 600 field employees at work in oil fields throughout the world. But to return to Dr. Foote:

"Our actual operating costs per individual worker," explained Dr. Foote, "have more than doubled since 1933. In that year they were around $2,700 a year (that figure includes every employee in the department, not just the scientists and technicians) against $6,000 a year in 1948.

"Our present figure of $6,000 is low compared to the data usually furnished by research laboratories because we are a completely self-contained institution operating our own buildings, grounds, sewage disposal, etc., and hence employ a large force of unskilled labor. If a laboratory occupies rented space, if services such as steam, heat, etc., are furnished on a fee basis by the company plant, which may also handle the payrolls, the estimated cost per research laboratory employee is materially increased for two reasons: (a) operating costs are assessed against the laboratory to pay for these services, and (b) manpower is diverted from the laboratory to the payrolls of the service units.

"Of course the cost per technical employee is between two and three times this amount, i.e., the $6,000 per employee in 1948. I have found it very difficult to classify technical and non-technical employees. Certainly the differentiation cannot be based on educational preparation. Occasionally, promising high school graduates, who are certainly non-technical, soon may be doing work comparable to that of a college graduate, in many lines of endeavor.

"Research costs money, and all of us in industrial research have learned to determine how much it costs with considerable accuracy . . . especially over the last two decades. But some searching study some time ought to be made on the cost of *not* doing research."

Crago Named to Head Miss. IBA Group

ST. LOUIS, MO. — John H. Crago, Smith, Moore & Co., has been nominated for Chairman of the Mississippi Valley Group of the Investment Bankers Association to succeed Walter J. Creely, Goldman, Sachs & Co. Other nominees are: Jerome F. Tegeler, Dempsey-Tegeler & Co., Vice - Chairman; and Edward D. Jones, Edward D. Jones & Co., Secretary-Treasurer.

John H. Crago

Named for the Executive Committee are: E. H. Hegemann, G. H. Walker & Co.; Andrew S. Mills, Newhard, Cook & Co.; W. Guy Redman, A. G. Edwards & Sons; Joseph A. Glynn, Blewer, Heitner & Glynn; Arthur H. Christophel, Reinholdt & Gardner; W. Paul Harper, Boatmen's National Bank; G. Gordon Meeks, Meeks, Reddoch & Co. (Memphis); and the officers.

Nomination is tantamount to election. The Mississippi Valley Group's election meeting will be held Nov. 3.

Trends of Capital Formation

By STAHRL EDMUNDS*
Economist, Northwestern National Life Insurance Co., Minneapolis, Minn.

After stressing importance of capital formation to economic welfare, insurance economist points out: (1) there has always been a shortage of equity capital; (2) disproportionately large amount of debt capital is due to less personal and more institutional savings; (3) institutional investment is more rigid than personal investment; and (4) future formation of capital will be attended by greater risks. Foresees as future financing alternatives: (1) specific action to stimulate equity capital; (2) permitting financing institutions to convert part of assets for equity purposes; or (3) having government provide equity capital.

My topic this morning relates to objectives in the financing of capital formation in the United States over the long-term future. In discussing capital formation, we are not talking directly about money nor monetary savings. Capital formation is rather the process of creating tangible plant and equipment which is later used to produce consumable goods and services. Monetary savings are sometimes regarded as the source of capital formation, it is true, since it takes savings to finance capital goods. But it also takes management vision to see the need for new goods to be marketed. Investment judgment is likewise essential to determine if additional productive facilities can pay a return on their cost. Then it takes a lot of hard labor by a group of workers as well. The process of capital formation, therefore, has many aspects, and it is closely tied up with the character and moral fiber of the people. Capital formation takes initiative to think of a job which needs to be done. It takes industry to labor through the task of doing the job. It takes honesty to do the task properly. It takes self-restraint to forego some consumption in order that saving may produce more goods in the future.

Stahrl Edmunds

Capital, though it results in tangible productive goods, may therefore be said to reflect the innate or moral qualities of a people. The United States, with 7% of the world's population, has more than one-half the world's manufacturing capacity. It seems to me that these tremendous capital resources in the United States are a monumental tribute to the character of the American people.

Not only are the capital resources of the United States a great magnitude compared to the other countries of the world, but they are very large indeed compared to those of our own past. Only 100 years ago production in the United States arose almost solely from the energy of human labor and domestic animals. In 1850 only 6% of the work energy was supplied by fuels and power. Today there is 28 times as much work energy being applied to production, and 93% of it is being supplied by fuels and power. If you will think of the most back-breaking labor which you have done, then this illustration of how mechanical energy has multiplied and supplanted human energy will be vivid evidence of the progress in our industrial development.

The application of energy to production is the process of mechanization. It reflects the degree of capital formation in the past 100 years. It has taken capital goods, valued at nearly $400 billion at 1929 prices, to make this application of energy posssible. Americans have over the decades been plowing back from 10 to 15% of their income into new productive facilities.

The result of this continuous and rapid capital formation has been that productivity has increased an average of 2% per year. This means that the output per worker has doubled every 35 years.

The benefits of such increases in productivity are apparent. Per capita real income has multiplied four-fold since 1850. The proportion of incomes which wage earning families have available to spend for goods, beyond their needs for food, clothing, and shelter, has almost tripled. This is a truly remarkable accomplishment when one reflects upon the slowness in the rate of economic progress in the centuries prior to 1850.

Significance of Capital Formation

There are two main ideas to be gathered from these facts. First, the standard of living is dependent upon the process of savings, investment, and capital formation. And secondly, the rate of progress in capital formation and standard of living has been continuous and substantial.

The importance of this rate of economic progress in the psychological, social and political situations in the United States can hardly be overemphasized.

I think it may be safely said that the depression left a deep conviction in the minds of most Americans, especially in the ever-enlarging employee group, that the rate of economic progress should not be seriously interrupted again.

The United States is, then strongly motivated to maintain its rate of economic growth. It is also well equipped to do so. The amount of money being spent on research is large and growing, especially as the government has found it necessary to foster basic research in the physical sciences. If anything the rate of technological change is likely to be stepped up in the future. It is entirely possible that the average rate of increase in productivity may be 3 or 4% per year instead of the 2% which has prevailed in the past.

I do not naively assume that the public or rank and file members of labor unions have consciously accepted the idea that their standard of living is tied up to productivity or to the process of capital formation. In fact I think the publicized doctrines of the labor movement generally ignore this point. A depression would not, therefore, bring about a public clamor to increase capital formation in order to restore living standards. It is apparent, nevertheless, to one who reads labor and government publications that the leaders and ideamen in government and unions are at least privately aware of the tie-up between capital formation and the standard of living. I am satisfied in my own mind, therefore, that a large drop in employment or personal income would see government and labor leaders, as well as businessmen, using every means at hand to stimulate and increase capital formation in order to maintain progress in living standards. True, some limited depressions in capital formation, productivity, and living standards may occur; but on the whole I believe the rate of progress in these factors will be faster and the interruptions less severe than has been true in the past.

I take it therefore, as fact that the rate of increase in productivity in the future will be more than 2% per year and the rate of increase in net capital formation will average more than 4% per year. This would mean that the value of capital goods in America would probably double at least every 20 years. Such a rate of capital formation obviously necessitates large savings and investment in the future.

Will Capital Formation Growth Continue?

The question about the future, then, is not whether capital formation will continue its rate of growth; the main question is who shall initiate the savings and investment to make the capital formation possible. Surrounding this question of who shall initiate the necessary savings and investment I think there is great uncertainty.

In order to analyze the possible alternatives for the future I would like to make some background comments about the past and present nature of savings and investments. I apologize if some of these assertions sound dogmatic, but I do not have time to deal fully with their factual basis.

(1) There has always been a shortage of equity capital. There is some tendency to regard the present shortage as a drying up of a great fountain of venture funds which flowed freely in the golden age of the 1920's. When the refinancing issues of common stock are removed from the figures of stock flotations in the period 1926-29, the volume of new money raised by common stock was fairly modest. A study by the Federal Reserve Bank of Minneapolis indicates that the securities market is a small factor in financing new and growing enterprise; the principal sources of funds are the personal savings of the entrepreneur, his family, and friends plus the plowing back of earnings to expand the business. The point I want to make is that the shortage of equity capital in itself is not of great concern, because that is nothing new. The disproportionately large amount of debt-seeking capital in relation to equity capital is however of concern and that is a fairly recent development.

(2) The disproportionately large amount of debt-seeking capital in existence today has come about because savings have become less personal and more institutionalized. I believe Donald Woodward made this point conclusively at a Financial Section meeting here about two years ago, and I need not belabor the point further.

(3) Institutional investment is more rigid than personal investment. This is true by reason of the fact that the institution is governed by investment laws whereas the individual is free to take his

(Continued on page 20)

*An address by Mr. Edmunds before the 44th Annual Meeting of the American Life Convention, Chicago, Ill., Oct. 7, 1949.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Harvey D. Gibson, President of **Manufacturers Trust Co. of New York**, has announced that Maxwell Kalb, formerly Assistant Secretary, has been appointed an Assistant Vice-President. Mr. Kalb has been with the bank since 1924, having been a member of the bank's Twenty-Five Year Club on Oct. 15, 1949. He was made an Assistant Secretary in 1944. Mr. Kalb is a member of the Consultative and Policy Committee of the Personal Loan department as well as a member of the Research and Planning Committee.

* * *

The eighth annual dinner of the Quarter Century Club of the **Bank of The Manhattan Co. of New York** was held at the Waldorf-Astoria Hotel on Oct. 19. Of the 325 members who attended, 39 had completed their 25 years of service with the bank during the past year. Anthony Grace, President of the club, presided. Lawrence C. Marshall, President of the bank, presented membership certificates and gold badges to the new members. Graham B. Blaine, Vice-Chairman of the bank, presented additional awards to the members celebrating their 30th, 35th, 40th and 45th anniversaries. Peter Goelz of the bank's Jamaica office, was elected President for the coming year.

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William L. DeBost, Chairman of the board of the **Union Dime Savings Bank of New York**, has announced that on Jan. 1, next, Walter R. Williams, Jr., Executive Secretary of the **Savings Banks Association of the State of New York**, will become associated with the bank in the capacity of Treasurer. Mr. Williams graduated from Yale University in 1932, at which time he joined the staff of the **Franklin Savings Bank**. In 1942 he resigned his position of Assistant Secretary in that bank to accept his present position in the Association.

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At a meeting of the board of directors of the **Lawyers' Trust Co. of New York**, held Oct. 18, Joseph J. Bosco and William F. Siebert were made Assistant Trust Officers of the company.

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Wilton C. Donn, retired Vice-President of the **Brooklyn Trust Co. of Brooklyn, N. Y.**, died on Oct. 16. After serving for a time with the Fourth National Bank of New York, Mr. Donn entered the Mechanics Bank of Brooklyn as head bookkeeper, becoming eventually Cashier; when that bank was merged with the Brooklyn Trust in 1929 he was elected a Vice-President, according to the Brooklyn "Eagle," which adds that he held that post until his retirement in 1947. He had also served as Treasurer of the Bankers' Club.

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The Board of Trustees of the **Lincoln Savings Bank of Brooklyn, N. Y.**, at its regular monthly meeting elected J. Frank Baumann as Vice-President. Mr. Baumann has had many years of experience in the field of investments. He is a graduate of the American Institute of Banking and the Rutgers Graduate School of Banking.

* * *

The capital of the **New London City National Bank of New London, Conn.**, has been increased from $250,000 to $500,000, a part of the increase having been brought about by a stock increase of $150,000, while the additional $100,000 resulted from the sale of new stock. The enlarged capital was made effective Sept. 30.

* * *

An increase in the surplus of the **Haddonfield National Bank of Haddonfield, N. J.**, from $130,000 to $200,000 has been authorized by the directors, making it equal to the capital. Announcement of this, said the Philadelphia "Inquirer" of Oct. 17 was made by R. E. Townsend, Vice-President and Cashier. The bank has undivided profits of $63,000.

* * *

John Kean, President of the **National State Bank of Elizabeth, N. J.**, died on Oct. 23 at the age of 60. He was also President of the Elizabethtown Consolidated Gas Co. and several other utility companies. He was a son of the late Hamilton Fish Kean who served as United States Senator from New Jersey.

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On Oct. 19, the directors of **The Trenton Banking Co. of Trenton, N. J.**, elected Sydney G. Stevens as President to succeed the late Caleb S. Green. The announcement was made by Godfrey W. Schroth, Chairman of the Executive Committee of the board. Since Nov. 1, 1948, Mr. Stevens has served as Executive Vice-President of the bank. Prior to that he was an Assistant Vice-President of the **Bank of The Manhattan Co., New York**, which has been a correspondent bank of the local institution for more than 140 years. Mr. Stevens started his banking career with the Commercial National Bank and Trust Co. of New York in 1933. In 1937, he was elected Assistant Trust Officer and in June, 1946, became Trust Officer. Several months later he began his association with the Bank of The Manhattan Co. as Assistant Vice-President in the trust department. During World War II, Mr. Stevens served in the finance division of the Armed Forces. He retired from active service with the rank of Major.

* * *

The Industrial Trust Co. of Philadelphia this week celebrated the 60th anniversary of its founding and the 50th anniversary of the association of its President, J. Edward Schneider, with the bank. Mr. Schneider joined the Industrial Trust on Oct. 30, 1899, as its sixth employee when the bank was located in the rear of the building adjoining its present main office, 1944 No. Front Street. The bank was then known as Industrial Trust Title & Savings Co. and had deposits of $1,700,000. In 1919, Mr. Schneider was elected Secretary and Treasurer, and Vice-President-Treasurer in 1923. With deposits at $10,000,000, Mr. Schneider was made Industrial's fourth President in 1927. Today the trust company has three offices, more than $22,000,000 in deposits and 25,000 depositors. The bank's original name, Industrial Trust Title & Savings Co., was changed to Industrial Trust Co. in 1929. The same year Fern Rock Trust Co. was consolidated with Industrial and, as a result, Industrial acquired its present branch at Broad Street and Nedro Avenue. In 1930, Industrial undertook the liquidation of the Northeast Title & Trust Co. and paid that institution's deposits in full. Later that year it purchased the assets of the Textile National Bank and thus acquired its present Kensington Avenue and Huntingdon Street office.

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Nicholas F. Mueller and George D. F. Robinson, Jr., were elected Vice-Presidents of the **Baltimore National Bank of Baltimore, Md.**, at the monthly meeting of the directors on Oct. 14, according to advices in the Baltimore "Sun" by J. S. Armstrong, Financial Editor. At the same time Carl G. Linke was named an Assistant Cashier. Mr. Mueller, who has been with the bank since 1933, became an Assistant Cashier in 1945, and in 1947 was made Assistant Vice-President. Mr. Robinson's association with the bank dates from 1937. After serving as an Assistant Cashier he became an Assistant Vice-President in 1947. Mr. Linke has been associated with the Baltimore National Bank since 1933.

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Rollin O. Bishop, who was elected President of the **American National Bank of St. Paul, Minn.**, on Oct. 17, assumed his new post on Oct. 18. Mr. Bishop had been Vice-President and director since June, 1948, it is made known in the Minneapolis "Star" of Oct. 18. As President, he succeeds C. R. Clarke, resigned.

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Through a stock dividend of $250,000, the **National Bank of Waterloo, at Waterloo, Iowa**, increased its capital, effective Oct. 5, from $250,000 to $500,000, the Office of the Comptroller of the Currency reports.

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The promotion of J. Benjamin Moore to the post of Trust Officer of the **First National Bank of Atlanta, Ga.**, was made known on Oct. 10 by R. Clyde Williams, President, who at the same time announced that F. E. Newborn, former Trust Officer, has been elected Cashier. Mr. Newborn, says the Atlanta "Constitution," is an instructor in the Atlanta Chapter of the American Institute of Banking, Treasurer of the Life Insurance and Trust Council and a member of the Committee on Trust Affairs of the Georgia Bankers Association. He entered the First National in 1924 as office boy and has served in various capacities, having been Auditor before becoming Trust Officer, from which he now advances to Cashier. Mr. Moore also served as office boy when he entered the bank in 1927, and gradually worked up to the post of Assistant Trust Officer, which he relinquishes to become Trust Officer.

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The **Oak Cliff Bank & Trust Co. of Dallas, Texas**, has named three members of its staff to the posts of Vice-Presidents, namely: J. O. Hutchison, Proctor M. Boyd and W. Otto Frosch, according to an announcement by President R. D. Suddarth. This gives the bank seven Vice-Presidents, it was noted in the Dallas "Times-Herald" of Oct. 12—the four others already holding these posts being A. B. Moore, T. Y. Hill, James C. Dycus and Robert M. Gibson. Mr. Hutchison has been with the bank for 20 years, Mr. Boyd for 18 years, while Mr. Frosch, formerly with the National City Bank of Dallas, had since the first of the year been Cashier of the Empire State Bank of Dallas.

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J. Neal Mancill has become associated with the **Republic National Bank of Dallas, Texas**, as Vice-President, it is learned from the Dallas "Times-Herald" of Oct. 16. Mr. Mancill, formerly Vice-President of the **Dallas National Bank**, assumed his new post Oct. 17.

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Effective Sept. 29, the **Colorado Springs National Bank of Colorado Springs, Colo.**, increased its capital from $150,000 to $180,000 through the sale of $30,000 of new stock.

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The appointment of Louis B. Lundborg as Vice-President of the **Bank of America National Trust & Savings Association, San Francisco**, in the administrative department, was announced on Sept. 22 by President L. M. Gianini. To 2 by President L. M. Giannini. To borg relinquished the office of Vice-President of Stanford University, it is learned from the San Francisco "Chronicle." He was formerly General Manager of the San Francisco Chamber of Commerce, and had also been with the California State Chamber of Commerce for some years.

* * *

At a special meeting on Oct. 11, the stockholders of the **Bank of California National Association of San Francisco** approved plans to reduce the par value of the stock from $100 to $20; this representing a 5-for-1 stock split. The stockholders also voted to withdraw the stock from listing on the San Francisco Stock Exchange. The plans were noted in our Sept. 15 issue, page 1060.

* * *

The directors of the **Citizens National Trust & Savings Bank of Los Angeles, Cal.**, announced on Oct. 18 the election of Stewart McKee as a member of the board. Mr. McKee is President of the Guaranty Union Life Insurance Co. and a director of the Menasco Manufacturing Co.

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48 BANK ITEM 48 48

P. H. Dyste, Assistant Trust Officer and Manager of the real estate department of the **California Trust Co. of Los Angeles, Calif.**, has completed his 20th year of service with the company. Mr. Dyste started his bank career at Ada, Minnesota, in 1917 and held positions in Huron, South Dakota banks before joining the trust company's staff in September, 1929. He is a member of the Los Angeles Realty Board, National Association of Real Estate Boards, and the Institute of Real Estate Management.

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Stanley H. Makelim has been named Auditor of the **United States National Bank of Portland, Oregon**, it is announced by E. C. Sammons, President. Mr. Makelim entered the banking field with the old Ladd & Tilton Bank in 1922. He continued with the United States National when that institution purchased the Ladd & Tilton in 1925. He was named Assistant Auditor in January of this year. As Auditor he succeeds L. E. Peabody who died in September. Mr. Makelim is a member of the American Institute of Banking and Vice-President of the Portland Conference of the National Association of Bank Auditors and Comptrollers. Three other personnel changes in the bank were announced by Mr. Sammons. Charles F. Estabrooks, an Assistant Manager at the La Grande, Ore., branch has become Manager of the Monmouth branch replacing K. J. Kirk acting manager since July when the United States National purchased the First National Bank of Monmouth. David A. Crain, Assistant Manager at the Othena, Ore., branch, has been appointed Manager of the Athena operation, replacing F. S. LeGrow, retired. At the Corvallis branch Claude F. Hough has been appointed an Assistant Manager.

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Two changes in the official family of the **Peoples National Bank of Washington at Seattle, Wash.**, were announced in a statement released Oct. 12 by Joshua Green Sr., Chairman of the board of directors of the bank. P. A. Strack, since 1943 President of the bank, becomes Chairman of the Executive Committee and Joshua Green Jr., Executive Vice-President, becomes President. Both are now members of the board of directors. In announcing these advancements Joshua Green Sr. said: "The recent increase in the capital structure of our bank has brought about sharply increased duties and burdens which have resulted in the necessity of shifting some of the responsibilities to younger shoulders." The Peoples National recently increased its outstanding capital stock from $1,500,000 to $3,000,000 through the declaration of a stock dividend of $1,000,000 and the issuance to the stockholders of rights to buy another $500,000 of stock. This operation has been approved by the stockholders. Plans for enlarging the capital were referred to in these columns Sept. 1, page 875.

* * *

The University National Bank of Seattle, Wash., increased its capital effective Oct. 1 from $500,000 to $600,000 by a stock dividend of $100,000, according to the Oct. 10 bulletin of the Office of the Comptroller of the Currency.

Deposits of Mutual Savings Banks Show Continued Rise

During September deposits of the 531 mutual savings banks of the nation increased $57,000,000 to reach a total of $19,082,000,000 on Oct. 1, Henry S. Kingman, President, National Association of Mutual Savings Banks, and President, Farmers and Mechanics Savings Bank, Minneapolis, reported Oct. 26. As in every month this year, except February, the gain exceeded that for the corresponding month last year. The September, 1948, gain was $45,000,000.

Henry S. Kingman

Deposit gains for the first nine months of 1949 of $682,000,000 exceeded the rise of $641,000,000 for the full year 1948. For the nine-month period the gain was 3.7% this year in contrast to 2.9% ($513,000,000) last year. The increase reflects both a gain in amounts deposited in regular accounts this year and a drop in the sums withdrawn.

The net gain of $90,000,000 in mortgage loans in September was the greatest for any month this year and brought the gain for the first nine months of 1949 to $591,000,000. The corresponding gain in 1948 was $464,000,000. During September holdings of corporate and municipal securities also rose $10,000,000 and cash $9,000,000, but the portfolio of U. S. governments declined $43,000,000.

Chi. Stock Brokers Associates Elect

CHICAGO, ILL. — The annual election of officers of the Stock Brokers' Associates of Chicago was held for Oct. 19, and the following were elected for the coming year:

President—William H. Higgins, Paine, Webber, Jackson & Curtis.

Vice-President—John E. Little, Paul H. Davis & Co.

Secretary—Bernard J. Cunningham, Goodbody & Co.

Treasurer — Thomas A. Kavanaugh, Paul H. Davis & Co.

Financial Managem't Corp.

SEATTLE, WASH. — Financial Management Corp. has been formed with offices in the Insurance Building to engage in the securities business. Officers are: John E. Tribke, President; H. E. Benson, Secretary-Treasurer. Mr. Tribke was formerly connected with Conrad, Bruce & Co. and conducted his own investment firm of J. E. Tribke & Co.

Preservation of Free Enterprise Decisive to Our Future

By HARRY W. BESSE*

President, Boston Stock Exchange

At graduating exercises, Boston Stock Exchange executive tells men of Air Force, defense of our free enterprise system is as vital to future welfare as military defense. Cites dependence for materiel on American corporate enterprises and reveals large participation of people in ownership of corporate enterprises. Extols profit motive as element of national progress.

It is only reasonable to assume that a Stock Exchange man, invited to be with you on so important an occasion as this, might comment upon industrial expansion and its influence on American economic life. I shall do exactly that—with a great deal of conviction, because the preservation of free enterprise is as decisive to the future liberty and freedom of our people in time of peace as a well equipped and precisely trained Air Force is decisive in modern war.

Harry W. Besse

Logistics and material have attained ever greater importance in pace with our mechanical and technical progress. Most supply problems of national defense are simplified by the vibrant, dynamic American industrial empire, operated in corporate form. American corporate enterprises stand today as a creative force powered by the savings of our thrifty people. It is here that the investment profession plays its important part.

Millions are required to expand the productive machinery of the nation to keep up with ever increasing consumption. How many millions is clear when it is pointed out that du Pont has capital investments in plant, machinery and materials of over $6,000 for each person employed by the corporation. The capital investment required to create a worker's job with merchandising ventures is apt to be lower while electric power and light corporation's requirements are much, much higher.

Subscription or purchase of stock in enterprises of this nature is attractive only when the buyer has a reasonable assurance that his shares are marketable. That is to say that he can convert them into cash without delay.

Responsibility of Stock Exchanges

Here lies the great responsibility of the Stock Exchanges.

They maintain active market places where securities may be bought and sold. So that one may use their facilities with risk reduced to the minimum (it cannot be eliminated altogether, as risk is the essence of enterprise). So that it may be reduced, the Exchanges require of the corporations for whose shares they provide trading privileges, that full publicity be given to earnings, asset values and other data required for analysis. So that member firms may be properly armed with sufficient capital the Exchanges conduct frequent audits to assure a compliance with its rules for adequate capital position. So that the investors' buying and selling orders may be equitably handled, the Exchanges have surrounded themselves with a code of professional ethics unsurpassed in any other profession.

The typical gigantic corporate enterprises of our modern life are truly of the people, by the people and for the people. In this category is General Motors — a good example to use. Their great plants, modern machinery and inventories of goods in process were derived from the savings of the people, 430,000 of whom are registered stockholders.

The actual work of production is done by the people—over 375,000 of them—the employees of the corporation. Their finished product is certainly for the people whose willing purchases have built it to its present proportions. The owners, or stockholders as they are commonly called, are a real cross-section of everyday America. Of this great number 34% own but 10 shares or less. Fewer than 8% own over 100 shares.

General Electric presents a similar picture, with stockholders in every state in the Union. At the time these figures were compiled, General Electric had over 246,000 owners, 110,000 of them being woman stockholders, holding 7½ million shares. Over 124,000 owned 25 shares or less, with no single individual owning more than 1/10 of 1% of the total shares outstanding.

This corporate development has provided lavishly the goods and services accepted as a matter of fact in our everyday lives—it is not casually regarded in other quarters.

The American story, gilded by retelling, has spread to all corners of the world. There is little reason to wonder why, from the time our nation began, foreign powers have cast covetous eyes on the material wealth of our great land. Unwilling, or unable, to emulate the democracy that has served us so truly, rejecting both the practical and ever present fact of hard work and the inspirational force of personal liberty, Old World thinking always tends to gravitate to the contemplation of the use of force against us.

Must Defend Material Wealth

Not to take back with them our freedom of speech and worship—not to transplant to their homelands the privilege of the ballot—not to learn and apply the American formula whereby each succeeding American generation passes on to the next ways and means of producing better things for more and more people.

No. It is the material wealth and not the political and spiritual treasures they would capture or destroy.

Too often have we been faced with this phenomenon not to guard against it by setting up defensive force, splendidly equipped and manned by the best our world of unbounded opportunity and system of free public education can provide, doing our jobs when we must with the golden ideals of Americanism in our hearts, while in our hands are the magnificent machines born of our own ingenuity, unequaled in efficiency and scientific capabality by those of any other nation in the history of man.

Our system of defense stands today as the important factor in that strange international relationship that is sometimes referred to as Cold War.

Now, Cold War, in its connotation, has an interesting parallel in the struggle that American free enterprise has been required to make from its very beginning. The nation's business is called on day after day, and year after year, to defend itself from infiltration of political and social visionaries who would tear it down or so emasculate it as to nullify its finest capabilities.

In 1828 Edward Everett, when delivering his address at the dedication of the monument at Bunker Hill, pointed out that nearly all of the American colonies were founded on charters granted to corporate institutions in England, corporations which had for their objective the pursuit of the branches of industry and trade pertinent to a new plantation. This, said Mr. Everett, ought to be considered as a leading incident in the great train of events connected with the establishment of constitutional freedom in this country.

It was no refinement of learned statesmen to which we are indebted for our republican institutions of government—nor was it a device of the parent government. It was rather the spontaneous adoption of a regular representative system by which, as in ordinary civil corporations, the affairs of the community are decided by the will and the voice of its members.

So, we see the corporate form was then, and has become even more truly now, the custom of our country. In the more than 100 years that have elapsed, since Mr. Everett's address, production by corporations has expanded thousands-fold, but were he alive today that great American would again assign to free competition operating now as in his own era, the prominence that it merits in building on the Western Hemisphere the highest standard of living in all the civilized world.

Profit—Motive of Progress

Now, do not draw a conclusion that I present to you the proposition that our nation's industrialists have through the years worn only the shining armor of altruistic crusaders. The great incentive which drove them to create better products at lower cost has been, and I hope always will be, a motive of personal profit.

We have always been a restless people, aspiring and energetic, endowed with freedom from fear. We have been permitted to direct our energies to the material comforts for our families. No thinking man can advance the proposition that such development as we have attained could have been realized without an incentive of personal gain, without confidence in the various forms of private investment for the nation's savings, and without reliance on the continued stability of the system which has made it all possible.

Now let me not be misunderstood, this prosepective of enterprise I submit to you, not in its defense, but rather in its praise. And why not? Only yesterday there reached my desk news of the further evidence of its creative capacity. News that our natural gas pipeline system is to reach 251,000 miles this fall. That refrigerated air express makes possible the sale of Hawaiian cut flowers in mainland department stores.

A new ice machine freezes ice in a continuous block at a rate of 30 times that of conventional machines. A moth repelling coating for closet walls may be applied in a relatively permanent form by a paint brush. Photostats in full color. Even electric flat irons for the left-handed women.

Research

Amazing? Not at all, for another paragraph announced that one of the largest steel companies is reported to be spending $10,000,000 this year on research. The research leading to the development of nylon cost over $25,000,000. These products are the fruits of the incentives I have mentioned. A civilian structure without these incentives could be likened to a military force in which no provision had been made for commendations, decorations, or promotions.

Gallantry and distinguished service in the Armed Forces, even though born of noble emotions, would be less readily inspired without some recognition. Production without profit would be similarly affected—withering as an animal deprived of its oxygen. Without good wages and without the possibility of advancement the workers' cooperation with management disappears. Without the prospect of profits, the appetite for enterprise is lost.

With these incentives — with courage born of patriotism, fortified by thorough scientific training, know-how acquired by hard work, with contented, dignified industrial manpower, with our enterprise confident, our nation has a strength over which no aggressor can ever prevail.

So long as such a freely competing, freely progressing established order prevails, we have little to fear for our precious heritage. However, with workers, owners and management bitter, one aligned against the other — with government, business and the people divided in choice of objectives with the services weakened by disunity, the future would indeed be clouded.

The liberties passed to us by our forefathers, the security of our homes won at Saratoga, in the Argonne Forest, at Midway and Leyte Gulf, and in the skies over Rabaul and Regensberg would become but pages in history, the freedom for which these battles were fought, destroyed forever, leaving on our broad continent a police state followed by regimentation, slavery, chaos and death.

We must never permit this catastrophe to occur.

*An address by Mr. Besse at the Graduating exercises, Headquarters Flying Training Command U. S. Air Force, Barksdale Field, La., Sept. 30, 1949.

Railroad Securities

New York, Chicago & St. Louis

One of the features of the recent more buoyant rail market has been the sustained strength in the stocks of New York, Chicago & St. Louis. Action of the stocks, and particularly the common which is selling well above its 1936 high, has again brought to the fore the question of a possible stock recapitalization to eliminate dividend arrears on the 6% preferred stock. These arrears have been reduced in the past year and a half by payments of extras of $3.00 a share in 1948 and $7.50 a share earlier this year. They still amounted to $73.50. Until they are paid off, either in cash or through a stock recapitalization, the common obviously can not participate directly in current high earnings.

There have been attempts in the past to eliminate this problem of back dividends. The first proposal was for a merger with Chesapeake & Ohio where there would have been an exchange of stock which would automatically have eliminated the arrears. Opposition of preferred stockholders to the terms they were offered blocked this plan. Subsequently, Chesapeake & Ohio disposed of its holdings of Nickel Plate common, distributing it as a dividend on its own stock. Next, plans were discussed for an internal stock recapitalization of Nickel Plate with a simultaneous merger with the controlled Wheeling & Lake Erie. This idea was dropped when it became obvious that large holders of Nickel Plate common would not accept any dilution of their equity.

It was when the last mentioned scheme was abandoned that the management embarked on the program of whittling away at the dividend accumulations with extra cash distributions. Obviously this would be a slow process if the entire arrears were to be so handled. Efforts have been continued, therefore, to devise some new plan that would be satisfactory to preferred stockholders and at the same time would not involve dilution of the common stock. It is not considered likely in many quarters that any such proposal will be feasible until the dividends have been further substantially reduced through additional cash payments.

Nickel Plate has long been accepted as one of the sound railroads in the country. In the past its troubles stemmed largely from recurring maturity problems in connection with which the company was forced from time to time to request bondholders to extend their maturities. These maturity problems and the desire of the management to get its overall debt structure down to a more conservative level were largely responsible for the long preferred dividend drought. Also, the company needed cash for an ambitious property program and to purchase outstanding stocks of Wheeling & Lake Erie. All these things are now in the past and cash needs from here on should be much more modest.

Nickel Plate is virtually all main line. It enjoys a relatively long haul on the bulk of its traffic. It does little passenger or l. c. l. freight business. In the east its lines extend only as far as Buffalo where a large volume of traffic is interchanged with Delaware, Lackawanna & Western and Lehigh Valley. It is not itself saddled with the heavy terminal costs of the eastern seaboard. All of these factors contribute to a high degree of operating efficiency. Earning power under normal conditions is high. Earnings on the common over the past 10 years averaged $17.87 a share and last year they amounted to $39.09.

The basic status of the company and its earning power should be further substantially improved shortly. Lease of the Wheeling & Lake Erie, a large majority of whose stock is already held by Nickel Plate, has been approved by the Interstate Commerce Commission. It is expected that the lease will be finally consummated by Dec. 1, 1949. Had this lease been in effect last year earnings on the Nickel Plate common would have been close to $60.00 a share. Earnings have naturally dipped in the current year and the coal and steel strikes will prove expensive. Nevertheless, combined common share earnings should come close to $40.00 for 1949.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Prices of Treasury obligations remain within the limited trading ange, which has been in effect for the past several weeks. . . . Minor ps and downs take place in the quotations depending upon the psycholgy of traders and the amount of buys and sells that investors put nto a very thin and inactive market. . . . Despite the lack of breadth n the market, quiet accumulation is still going on in selected eligibles nd tap issues. . . . Commercial banks are doing their own refundng of the December 2s by moving into the higher income obligaions. . . . Savings banks and other non-bank investors (aside from he large life insurance companies) are fairly important buyers of the onger restricted bonds. . . .

Deposit banks, both large and small, are eliminating, in most instances, the December 15 maturity and are putting the proceeds into the June and December 2s of 1952/54, the 2¼s due 1956/59 and the 2½s of 9/15/67/72. . . . It is reported all of these obligations have been in for about equal buying. . . . The Victory Loan 2½s continue to be the favorites of non-bank investors, although the 1964/69s are also being well bought. . . .

ARKET HAMPERED BY BUSINESS UNCERTAINTY

The government market is still in a state of flux, because holders s well as prospective buyers of these securities are not clear as to hat is likely to happen in the next few months. . . . In other words, he near-term trend of Treasury obligations is causing concern among nvestors and traders and this uncertainty has made for rather restricted price movements with light volume. . . . Apparently the oremost factor in the picture at the present time is the prospective rend of business. . . . The strike situation is the big uncertainty ecause a continuation of the impasse could reverse the current economic trend and force business into a tailspin that might bring about full-blown depression. . . .

Under such conditions the government market would no doubt be strong and new high prices for longer-term issues would be expected. . . . Demand for bank credit would decrease and non-bank investors would most likely find it more difficult to put funds to work in private channels. . . . This should mean more funds of investors and traders would be seeking an outlet in the Treasury market. . . This increased demand, along with lower interest rates, should have a very favorable effect upon prices of all government securities particularly the higher income obligations. . . .

PROBABLE TREND ON BUSINESS STABILITY

On the other hand, if there should be a settlement of the coal and steel strikes, in the very near future, the damage to the economic structure should not be harmful enough to have more than a passing or temporary and minor effect. . . . Recovery in the business situation should continue and demand for bank credit as well as for funds of non-bank investors should be enlarged. . . . Also non-government ecurity flotations would most likely be increased, and these would compete with Treasury obligations for investible funds. . . .

Although money rates would continue low, because of the need to foster the recovery and to finance the deficit, there would most likely be no further decline in interest rates. . . . This would seem to indicate a plateau for money rates, and a top for prices of Treasury obligations. . . . There would no doubt in time be some brakes applied by the authorities to the business trend in order to keep it from getting too optimistic. . . . Interest rates could be one of these controls and a tapering off or a stabilization of the downward trend, with improved economic conditions, would seem to be in the cards. . . . This would probably mean only minor if any further uptrend in quotations of government securities. . . .

Because the government market appears to be facing the aforementioned uncertainties which have not yet been clarified, it seems as though price movements will not be pronounced in either direction, until a decision has been reached on some of these points. . . . When the atmosphere is cleared, investors and traders in Treasury securities will then be in a position to go ahead with their programs, which may or may not result in greater activity and wider price changes in the government market. . . .

CONTROLLED MARKET INEVITABLE

Some money market followers are of the opinion the "directed economy" of the Administration will result in a long-term inflationary trend in economic conditions. . . . Deficit financing, higher wages, and high farm price supports, will tend to cut the purchasing power of the monetary unit. Interest rates will be kept down, despite the inflationary trend, because the deficit must be financed as cheaply as possible. . . . This creeping inflation, it is believed in some quarters, will not have much effect upon prices of government securities, which will be kept within restricted trading limits. . . .

This probably means more interference in the money markets by the powers that be, since they will see to it that quotations do not move too far in either direction. . . . Protection will be provided on the way down, just as it was in the recent past, and limitations will be put on the up side. . . . One thing it seems a "directed economy" with an inflationary trend must have is a government market that will not be subject to wild and violent price gyrations.

Filor, Bullard & Smyth To Admit B. Gavan

Bernard J. Gavan, member of the New York Stock Exchange, will be admitted on Nov. 1 to general partnership, and Peggy Hohenlohe to limited partnership in the New York Stock Exchange firm of Filor, Bullard & Smyth, 39 Broadway, New York City. Mr. Gavan was formerly senior partner of Gavan & Co. which has been dissolved.

Goodbody Adds to Staff

ROCHESTER, N. Y.—John P. Day has been added to the staff of Goodbody & Co., Lincoln-Alliance Bank Building.

Laird, Bissell to Admit

John J. P. Murphy will become a partner in Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange on Nov. 3.

Trends of Capital Formation

(Continued from page 17)

own risks as his judgment indicates.

(4) The future formation of capital will be attended by greater risks than has been true of the past. As the rate of technological change increases, obsolescence becomes greater. Business expansion will come increasingly from developing new products and will come less from extending the market of existing products. These circumstances will mean that larger capital requirements and greater risks must be assumed by businessmen as a matter of course. I think the clearest demonstration of this today is the happy abandon with which every one is losing money in the television industry.

Now let us get back to the central problem of who, in the future, is likely to initiate the savings and investment to provide for economic growth, bearing in mind that capital requirements will be larger, the risks greater, that savings are more institutionalized, and that the proportion of debt-seeking funds is large compared to that of equity funds.

Three Future Courses of Financing

Speaking broadly I foresee three general courses which the economy might follow in the financing of future capital formation.

First, the volume of venture funds might be stimulated and encouraged in the future so that it is more adequate in relation to debt-seeking funds and to the needs of business.

Secondly, the large volume of debt-seeking funds presently being administered by financial institutions might be converted at least in part to equity purposes.

Thirdly, the government might provide equity financing.

I have not included among these alternatives the possibility of corporations becoming more self-financing through the plowing back of earnings. Corporations are already financing a large share of their capital formation out of earnings; and I believe that the effect of collective bargaining will prevent them from substantially increasing earnings available for such use.

Let us analyze each of these three alternatives for financing capital formation in more detail.

The first alternative is encouragement of the flow of venture funds into business. Only about 8% of corporate capital formation during a recent year was financed from capital stock. This is a pitifully small amount of equity investment to be flowing into business. At the same time, when the net equity investment by individuals in business was $1.3 billion, those individuals owned liquid savings in the amount of $172 billion. To put the matter more forcibly, when individuals had liquid savings worth more than twice the total value of all the common stock on the stock exchanges, they were willing that year to invest only one one-hundred-thirtieth of their liquid holdings in the common stock of business enterprise.

These facts tell us that there is an ample reservoir of funds, but individuals are withholding their liquid assets from venture uses. Why are individuals doing this, and what is the remedy?

I do not feel competent to answer these questions. I do feel confident in saying, however, that the often-suggested remedy of lowering the progressiveness of the income tax rates is an overly simplified approach to this matter. In fact, I do not believe that a general reduction of income tax rates goes to the heart of the matter at all. A general income tax reduction is more likely to result in greater consumption or more savings seeking a fixed income than it is to result in more venture capital.

Causes of Decline in Equity Capital

The reluctance of individuals to use their liquid assets or their new savings for venture purposes seems to have many causes, some of which are very intangible. I shall try to list a few of them.

(1) Investing for venture purposes requires an individual to think. It requires more thinking than putting liquid assets in the bank, buying life insurance, or buying a high grade bond with an AAA rating. Most of us in an employee economy do not have the stimulus to think about enterprise and investment that is true of an independent businessman. The small merchant, farmer, or salesman is thinking day after day of subjects related to selling goods, starting a new crop, taking on a new line of merchandise. Persons in clerical or laboring jobs think of other things, such as how to handle the accounting procedure for premiums paid by policyholders, or how to lay out the assembly work for putting a telephone together. As the trend toward fewer independent businessmen and toward more employees has progressed, therefore, there is less stimulus in the working environment to think about business ventures and venture investment. In fact, I would say that for the ordinary clerical or factory employee—of which there are so many today—or even for the professional man, it takes an extraordinary effort to think—and to continue to think—about venture investment.

(2) Business has, reputationwise, fallen in estate. This is also a consequence of the trend over the past 100 years toward urbanization and toward a laboristic economy. Most people are employees. Values and prestige in the eyes of the community are shifting away from business ideals. Children do not yearn to be Horatio Alger these days; they want to be Dick Tracy—a city employee. It is natural in this process that business enterprise should carry less prestige and excite less aspiration. If most people do not want to be businessmen as much as they used to, they are less likely to strain themselves to think about the problems of business venture—which is required for equity investment.

(3) Added to these intangibles is the more concrete problem that the tax laws discriminate against equity funds and in favor of debt-seeking investment. The mere fact that interest expense is deducted as a cost of doing business, while profits bear the burden of income taxation, is discrimination enough. Actually, why is interest any more a cost than profit since both are returns on capital invested? This is purely a matter of definition which, because of usage in business and convenience to the revenue collectors, has become imbedded in the law. There are added discriminations as well, those which come from double taxation of dividends, the capital gain and loss regulations and the depreciation rules. I think, therefore, the discriminatory nature of our tax laws is a much more basic problem than their progressiveness. A progressive tax rate need not necessarily discourage risk-taking. Discriminatory taxes do discourage risk-taking.

I do not look upon it as my assignment here to offer solutions to the several causes that tend to deter equity investment, but some steps are obvious. Revising the tax laws is one alternative, but not a very likely one because widespread revision of tax laws is very difficult to accomplish. Another alternative is to enact new laws that are what you might call counter-discriminatory laws. That is, present laws could be left on the statute books, but new laws could be added to elicit more venture capital. One prominent economist has, for instance, suggested that a tax credit for savings devoted to venture uses be enacted.

Overhaul Securities Selling Machinery

An additional approach to this problem would be to overhaul the securities selling machinery. A prominent corporation president recently typed the investment banking system as "antiquated." I would not be prepared to be that positive, but there is wide room for development in the selling of equities, in view of the great need of the economy and the resources of the American people. When you stop to think that the long run effect of collective bargaining is likely to increase the wage share at the expense of plowed back earnings, the importance of developing machinery to sell equities to workingmen becomes apparent. If sales management in our business can sell life insurance widely to workingmen and everyone else in the economy, if the government can sell series E bonds to a broad market, I believe good sales management in the capital markets could sell equities more widely.

What can the life insurance investment officer do about all this? Very little directly, I would say. These are big national problems. Revising the tax laws is beyond the influence of any single group, to say nothing of the actions of an individual investment officer. Changing the "thinking environment" of American workers or enhancing the prestige of American business is even more remote from individual action. The only thing a life insurance investment officer can do is the same as any other intelligent citizen can do. That is, he can keep a wideopen mind on the matters relating to venture capital. This is an easy principle to agree to but hard to apply. It is much easier for most of us in the investment end of the life insurance business to join the "down-with-progressive-income taxes" school of thought than it is to consider new tax issues objectively. Some fairly radical sounding tax plan may turn out to be better than what we have got, and better than lowering progressive income taxes.

The second alternative for financing capital formation in the future is by the diversion of the debt-seeking funds of financial institutions to venture purposes. It would be particularly important that financial institutions wholeheartedly enter the venture field if the public should prove unwilling to revise the tax laws to encourage equity investment by individuals, or if better sales methods for distributing equities are not developed.

Financial institutions—such as savings banks, life insurance companies, trust companies, credit unions, savings and loan associations, and miscellaneous institutions—now have about $152 billion in assets and the annual addition of new funds amounts to about $10 billion per year. Of these sums, slightly less than 40% of total assets and somewhat less than 40% of the new annual savings are administered by the life insurance companies.

All of these financial institutions, of course, invest predominantly in fixed-income obligations with very little available for common or preferred stocks. When one considers that the annual additions of new funds for investment of these institutions is $10 billion, while the new money flotations of common and preferred stocks has been only about $1.5 billion per year, it is appar-

ent that the financial institutions could significantly augment the supply of equity funds.

I would like to say as an aside remark here, that when I speak of diverting the debt-seeking funds of financial institutions into venture capital, I do not necessarily mean into common stocks. It is my opinion that life insurance companies ought to minimize their purchase of common stock, at least in the large, well-established companies. The tenor of the Atlantic and Pacific anti-trust case, the recent investigations of Congress, and even the speeches of the President of the New York Stock Exchange—all indicate a profound distrust of bigness and of life companies becoming shareholders in large corporations. In spite of the present criticisms of private placements, I think that private placements of preferred stock by new and developing business is likely to be a more fruitful and publicly appreciated form of equity investment for life companies over a long period. Ownership of housing and rental properties is also likely to be a more acceptable form of equity investment.

Obstacles to Institutional Investment in Equities

To resume, there are many obstacles in the way of financial institutions going into venture or equity investment on a large scale. There are the investment laws which in large measure circumscribe the ability of financial institutions to enter this field on a large scale. There is the valuation problem. The experience, attitude, and tradition of investment officers and directors of financial institutions would also make the transition difficult. Most important of all, there is the moral and legal responsibilities to clients—whether they be depositors, policyowners, trust beneficiary—to fulfill the contractual arrangements under which monies were saved and paid into the financial institution.

These obstacles do not mean that a change in investment practices is impossible, but it does mean that the change will have to be slow. It will have to wait upon alteration of laws, re-orientation of investment personnel, and perhaps the devising of new policy contracts in which cash values are tied to equities.

None of these changes are going to come of themselves. They will come only if the leadership in life insurance wants them to come and makes a conscious effort, daily, to explore small changes of law, new training and experiences of investment men, and new contracts with the public. Because the task is long, piecemeal, continuous, the leadership in financial institutions will only be able to carry out a basic change in its investment policy if it has perspective of the needs of the economy and if it has an objective of how it wants to serve the economy.

Government Equity Financing

If the public is unwilling to encourage individual financing of capital formation, and if the financial institutions are indifferent to converting their funds to venture investment, then in my opinion the third alternative for financing will prevail. That is, the government will gradually come to provide the venture funds for the economy of the United States. This trend is already under way in the form of public power and atomic energy. Even some of the credit arrangements of the Farm Credit Administration and Reconstruction Finance Corporation are more like equity financing than loans. These arrangements will, in my judgment, be expanded and liberalized if the needs of the economy for capital formation are not otherwise adequately financed.

The effect of having the government enter more and more into venture financing would profoundly alter the economy, and life, in the United States. I suppose such an eventuality could be roughly summed up as amounting to "socialization" in the United States. I do not like to use this word very much because it means so many things to different people. In a very broad sense "socialization" has been going on for hundreds of years and will, I expect, go on for hundreds of years more. When early tribes banded into principalities, like Athens and Sparta, that was socialization. When the feudal lords joined into a nationalistic state, that was socialization. Public education, the governmental post office, and the United Nations are forms of socialization. In other words, mankind is making a constant movement toward larger social groups and toward larger responsibility by the social group for the individual.

In the United States this historical trend has been confined to the socialization of income. Socialization of income is the process by which government uses its taxing powers to redistribute part of the national income for meeting what society regards as minimum standards and minimum needs. Public housing, social security, public assistance, etc., are all examples of minimum standards which the American community is assuming as an obligation to individuals. It is because this process of socializing income has been going on for a good many years now that I believe the clock will not be turned back in the field of progressive income taxation and that the high income groups cannot be expected to provide equity funds in the future as they did in the past.

The new sources of equity money will have to be the middle and lower income individuals, financial institutions or the government. If these individuals or the financial institutions do provide the necessary venture funds in the future, the social movement in the United States is likely to be confined to the present process of socializing a part of the national income. If the government must provide venture capital to keep up our rate of capital formation, then the nationalization of industries in the European fashion is to be expected. A private capital market is the very heart of a private economy. If we have a government capital market, we will have a government operated economy. The government will decide what kind of business to foster, how it shall be managed, what it shall sell, at what price to sell it. These will all be the conditions of providing the venture capital.

Like the other two alternatives for financing future capital formation, the provision of venture capital by government will only develop slowly. It will come through additional guarantees to private lenders, aid to investors, and gradually to outright grants to business. Those in the investment field who rely upon government guarantees, like FHA guarantees, are being uncritical of the outcome to which this can lead. The more people in the financial world lean on government assistance, the more assistance there will be. The government is often looked upon as an aggressive force intervening in business affairs. I think a more accurate representation is that government is a rather passive institution which merely fills a vacuum when private enterprise does not do an adequate job. In a word, the way to have a privately financed economy is to make our private institutions adequately finance the economy. It takes an investment officer with perspective and with objectives to do this. He must look at the possibilities in the future of relying upon government aids and palliatives. He must look critically at the kind of job he personally is doing in relation to the needs of the economy.

Summary

Let me summarize the remarks I have made now into a series of tentative conclusions:

(1) The rate of capital formation in the United States over the past 100 years has been high, both in relation to other countries and in relation to our own past.

(2) The standard of living is closely dependent upon increased capital formation, and therefore the whole public has considerable determination to see that both progress.

(3) The United States has the technical means at hand to maintain, and even step up, the rate of increase in productivity and living standard.

(4) Capital requirements in the future will be even greater than in the past because of greater risks and obsolescence which accompany a stepped-up rate of technical progress; and the need for venture funds will be particularly apparent.

(5) Venture funds in the future are likely to be provided from three sources: through encouraging individual savings and equity investment; through diverting the funds of financial institutions to venture purposes; or through government financing.

(6) The most desirable of these alternatives is through greater individual participation in venture investment. This requires alteration in tax laws to remove or counteract discriminations against equities and better selling machinery to distribute equities. The least desirable alternative is for government to finance capital formation. but this will only come slowly and by default of the other financing methods.

(7) An investment officer, or any citizen, needs to have a perspective of business history and to have realistic objectives of the kind of economy that it is possible to build in the future. There is considerable opportunity for the life insurance investment officer to mould the future course of the economy of the United States through his daily actions and decisions. If the investment officer feels, as I do, that there is a critical need for venture funds in the economy, he must have this in mind daily—when a fairly new business firm seeks a private placement, when the venture aspects of a housing project come up, when his investment banking friends are talking about how to sell equities. Not only must this long-term objective be in the back of his mind every day, but it must also be tempered with realism—the realism that there is no turning back to the traditional sources of financing capital formation. This is a new economy—a more urbanized, interdependent, and laboristic economy than we have ever had before—and it requires a new economics.

By his objective view of taxation, by his encouragement of venture investment whenever it is reasonably possible, by his critical understanding of government financial guarantees, by his ability to do a better job of serving the capital needs of the economy than has ever been done before, the investment officer can do much in his daily activities to build the future economy of the United States.

Walter Connolly Co. Adds

(Special to The Financial Chronicle)

BOSTON, MASS.—Sylvester C. Perry has become affiliated with Walter J. Connolly & Co., Inc., 30 Federal Street. He was formerly with Raymond & Co., Ralph F. Carr & Co. and Paul D. Sheeline & Co.

Securities Salesman's Corner

By JOHN DUTTON

At last we are calling upon the talents and experience of men who have made a success of teaching others how to sell intangibles. It is certainly beneficial to obtain ideas and specific suggestions from the experts. Recently, courses in security salesmanship were conducted in Boston, now lectures are being held in New York that are sponsored by the Investment Association of New York, and which are currently being reported in full in the "Chronicle."

The ideas presented by Mr. Kelso Sutton in his present series, it seems to me, are eminently sound. They are not just theory but they add up. It is with this sincere tribute that I would like to pick up one of his points and amplify it a bit. If you read his address that was carried in the Sept. 29 "Chronicle," he made the point about not being a "Long-Winder." He spoke about talking too much, about not knowing when to quit, about selling too hard, about not giving the customer a chance to say "I'll buy it." That a salesman who talks too hard and too long, might create a feeling in the prospect's mind that he was being repressed and then he would desire to get rid of him as fast as he could. Then he suggested that "there is a distinction between just talking and saying something that has an actual bearing on the sales presentation." In this way it is possible to cut down on verbiage and increase sales efficiency.

Now, I am going to ask you to follow something that is most difficult to explain. Nevertheless, I am positive that most experienced men who have worked in the field of direct selling (especially in intangibles) will verify the soundness of the observation. There is a point when you stop talking AT A MAN and begin to TALK WITH HIM. When this happens you feel a certain sense of MUTUALITY. You no longer are the salesman—you cease being the fellow who has come to present a new idea in the hope your prospect will accept it—YOU MOVE OVER INTO HIS CORNER. When you reach this point in your conversation you have made the sale. You may close right there, you may close after a few well thought out remarks, you may close after you make it easy for your prospect to buy, you may even close at a later date, but you are in.

Creative selling depends upon your ability to gain an AGREEMENT to the effect that what you are proposing is going to be beneficial to the other fellow. Some one thing you may say; your touching one vital point that affects the personal welfare of the man to whom you are talking may do it. When this happens MOVE OVER INTO HIS CORNER. Let him talk a bit, let him come out with it, keep him on it. Then show him the answer—it is what you are proposing—the rest is a natural moving together toward a solution to a problem, or a need.

In the field of security salesmanship, however, the first sale is not the only one you hope to make when you open a new account. Subsequent business follows naturally if a successful result is achieved investment-wise. It is one thing to be able to sell a man, but to maintain this feeling of mutuality, more than good sales practice in the first and subsequent meetings with him are necessary. He must be made to feel that he is in absolutely competent hands as far as his investments are concerned. Here personal contact and the building of a feeling of MUTUALITY that grows stronger and stronger month by month, can only be achieved when the sales organization is backed up by the strongest and most competent statistical assistance. Assuming good investment results, a continuing interest in the welfare of clients will always develop confidence and friendship. Once you move over into your customer's corner stay there—then your sale is made.

Bank Deposits and Loans Decrease

Earnings Assets and Capital Funds Higher

According to the final 1949 edition of "The Blue Book" the Rand McNally Bankers' Directory, the total assets of all banks in the United States as of June 30, 1949 show a decrease of $4,394,148,000. However, the banks' holding of government bonds and other bonds has increased $1,659,007,000. At the same time, capital has been increased $102,512,000, surplus is larger by $97,215,000, and undivided profits are greater by $148,379,000. Capital funds, therefore, show an increase of $348,106,000.

The decline in deposits for the entire country shows a total of $4,694,126,000. The decrease in cash and due from banks also totals over $4,000,000,000, and the decrease in loans and discounts amounts to $1,508,894,000. When the increase in governments and other bonds is added and from this total is subtracted the decrease in loans and discounts it is found that there is a net gain in earning ssets of $150,113,000.

A recapitulation in this new Blue Book also shows a gain of 113 banking offices. This is brought about by an increase of 117 branches. National banks have added 67 new branches, and state banks and trust companies have added 50, from which is deducted a decline of four head offices. The changes in number of banks includes an increase of 12 state banks and trust companies, and a decrease of eight national banks. There is also a decrease of seven private banks.

In addition to giving a complete detailed account of the assets and liabilities of every bank in America, including the Federal Reserve Bank, the new Blue Book contains a complete list of all the officers of all government banking agencies, information about money, air mail and air express, banking holidays, all bankers' associations, state bank officials and examiners, national bank examiners, and a complete list of bank transit numbers and check routing symbols with an explanation of each system, a list of clearing houses with officers, a five year list of discontinued bank titles, directors of every bank, information about all Canadian, Mexican and South American banks and banks in all other countries, a tabulation of banking laws of all states, and a list of accessible banking points to non-bank towns, besides many other features.

With J. Arthur Warner

J. Arthur Warner & Co., Inc., 120 Broadway, New York City, announce that Walter W. Hongler has joined the firm's sales department.

With A. Ahmadjian

(Special to The Financial Chronicle)

WHITINSVILLE, MASS. — Michael P. Johnson has joined the staff of A. Ahmadjian & Co., 70 Church Street.

Public Utility Securities

By OWEN ELY

California Electric Power

California Electric Power is one of the smaller Western utilities, with revenues around the $11 million level. It supplies electricity in extensive areas of California as well as small sections of Nevada. Communities served are relatively small with the exception of San Bernardino and Riverside (served at wholesale). Electric sales accounted for 82% of revenues, telephone and telegraph services 8.8%, and ice and cold storage operations 9.8%.

Of the electric revenues, residential and rural approximate 46%, commercial 24% and industrial 27%. The company obtains much of its electrical requirements from its own hydro plants (about 70% last year) but also buys from the Boulder Dam and is interconnected with other utilities. Average residential usage last year was 1728 kwh., and the average rate was 3.23¢.

Consolidated net income for 12 months ended June 30, 1949, was $1,618,924 against $1,407,622 in the preceding 12 months, an increase of 15%. Common share earnings were 77 cents for the latest period on average stock outstanding during the period, against 71 cents on the 1,346,889 shares outstanding a year ago. Factors contributing to the improved showing were: (1) The $506,000 annual electric rate increase granted by the California Public Utilities Commission, effective Aug. 1, 1948. (2) Gains of 24% and 37% in residential and commercial revenues, respectively (due in part to the rate increase). (3) Despite lessening importance of industrial sales in the overall picture, this branch of business was still ahead by 6%. (4) Better water conditions at the company's own hydro dams and at Boulder Dam, from which the company this year obtained a large supply of low-priced secondary power. (5) Reduction in purchased power costs resulting from cutbacks in fuel oil prices to suppliers—Southern California Edison Co. and the City of Los Angeles.

The company's growth this year is indicated by the fact that May revenues were up 15% and June 26%, compared with about 7% for the entire electric utility industry. Based on this rate of growth it is estimated that share earnings projected for the calendar year might approximate 90¢ as compared with the 60¢ dividend rate. The company has outstanding two preferred stocks ($50 par) and two convertible junior preference stocks ($20 par). Full conversions of both preference stocks into common would reduce the estimated 90¢ share earnings for 1949 to 78¢. This adjusted figure would be slightly above the share earnings reported for the June 12 months. A small amount of the preference shares have already been converted; at the end of August the company had outstanding 94,540 shares of preference stocks, 74,950 of 5.5% convertible preference and 1,362,024 common shares.

Wage rates should stay constant during the next year as a result of the recent agreement signed with the electric workers to carry present wage rates until Dec. 1, 1950, and due to a similar extension of prevailing contract agreements worked out with the ice department workers some months ago.

The company early this year took care of its 1949 construction needs in advance through sale of bonds and preference stock so that additional financing will not be required until well into next year (about one-third of 1950 needs have probably been taken care of).

The threat of municipal competition in the area now seems to have been eliminated through the unanimous recommendation of the special committee appointed by the City Council of Corona that the community refrain from purchasing the local electric distributing facilities of the System. The reason assigned was that rates now are so low that the income from the facilities would be insufficient to carry the purchase cost. The properties in question account for only 3% of System revenues, but undue weight had been given the threat in some financial quarters prior to the recent favorable action of the city's special committee.

California Electric Power is currently selling on the Curb Exchange at 8 (range for year 8⅛-6½) to yield 7½%. The 5.60% ($1.12) convertible preference stock is selling over-counter around 22 to yield 5.1%; it is convertible into 2¾ common shares, hence it is at a conversion parity with the common. The 5½% preference, which sells about 2 points lower, is convertible into 2½ shares. Conversion privileges have about nine years to run.

Forum Sees Favorable Economic Outlook

SAN FRANCISCO, CALIF. — A favorable economic outlook with promise for investors provided no unforeseen developments occur, was pictured Oct. 14 as the San Francisco Stock Exchange closed its forum series on Investments on a note of optimism.

David Rowland of Merrill Lynch, Pierce, Fenner & Beane, opened the lecture with an outline of suggestions for planning an investment program. Emphasizing the importance of individual needs and goals in the successful planning of such a program, Mr. Rowland carried his discussion into familiar terms through comparison with the planning of a vacation trip.

The general economic climate in relation to securities markets and various types of industries was considered by Philip J. Fitzgerald of Dean Witter & Co. After examining the current economic situation as related to the question of investments, Mr. Fitzgerald concluded that in terms of the present inflated price structure, a majority of stocks are selling today at bargain prices.

Questions from the audience closed the program. This meeting marked the successful completion of the Forum of four lectures on "The Theory and Practice of Investing Money in Stocks and Bonds," sponsored by the San Francisco Stock Exchange in conjunction with the Adult Educational Program of the San Francisco Public School System. The first such series ever offered in the history of the San Francisco Public School System, the forum has enjoyed widespread popularity from its initial meeting on Sept. 23.

Joins Chas. Day Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Andrew W. Pollock, Jr. has been added to the staff of Chas. A. Day & Co., Inc., Washington at Court Street, members of the Boston Stock Exchange.

With F. L. Putnam Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Leonard F. Doherty is now connected with F. L. Putnam & Co., Inc., 77 Franklin Street, members of the Boston Stock Exchange.

Port Authority Asks Bids on $30,000,000 Bonds

Chairman Howard S. Cullman announced Oct. 24 that The Port of New York Authority will open sealed bids in the auditorium at its offices, 111 Eighth Avenue, New York, at 11 o'clock on Nov. 2, in the public sale of $30,000,000 Air Terminal, Second Series (First Installment) Bonds. Bidders are asked to name a coupon rate not to exceed 3⅛%, and the bonds will be awarded on the basis of the lowest interest cost to the

Howard S. Cullman Austin J. Tobin

Port Authority not exceeding 3⅛%, Mr. Cullman stated. The Port Authority will accept a discount up to 5% of the par value of the bonds and the coupon may be in multiples of one-eighth or one-tenth of 1%, the Chairman added. Bids must be for all or none.

Bid forms may be obtained from the office of Austin J. Tobin, Executive Director of the Port Authority, 111 Eighth Avenue, New York, beginning Thursday, Oct. 27. It is expected that the official statement describing the bonds will be ready at that time.

The bonds, dated Oct. 1, 1949 and due in 1979, will be callable, in whole or in part, at 103% beginning in the fifth year; at 102% beginning in the tenth year; at 101% beginning in the fifteenth year; and at par beginning in the twentieth year. Sinking funds will be established commencing in the tenth year to retire the entire issue by maturity.

Proceeds of the sale will be used to refund $10,000,000 of temporary airport notes and for capital improvements during the next year at Newark Airport, Teterboro Airport and La Guardia and New York International Airports.

Opportunities for Bank Profits in Federal Refunding

(Continued from page 9)

says new cash borrowing in the open market may be delayed until late in this fiscal year.

"Under these circumstances, the inclination of Treasury-Reserve authorities is to follow a 'do-nothing' policy for the time being. They believe this is no time to be pushing for action in either direction—to be trying to discourage business expansion by tightening money rates or to encourage it by easing them beyond present levels."

Miss Porter then listed these specific possibilities and probabilities in the market and fiscal policy outlook:

"(1) Assuming business remains satisfactory through the year-end it would be logical for the Treasury to maintain the 1⅛% rate through the next certificate refunding of $5,659 million 1¼s in January. This would be in accordance with the wishes of the banking community, which naturally would prefer that rates not ease further, and this Administration see nothing wrong in pleasing the bankers now and then. The Federal Reserve Board and Treasury are working closely together today—more closely than at any time in modern financial history—and both see the advantages at this stage in a generally stable money and bond market.

"(2) The bill rate, though, is to be allowed more play, more flexibility than in many years Within sensible limits, it is to be permitted to move as the market decides and the Reserve Open Market Committee is not acting to prevent week-to-week fluctuations. In accordance with the Reserve Board's stated desire for 'greater flexibility and a freer expression of market forces,' the Open Market Committee expects and approves these bill rate fluctuations now.

"(3) Against the present business background, the Reserve Board hesitates to act on reducing the rediscount rate from its present level of 1½% or responding to some dealer pressure for the reestablishment of a preferential discount rate. Were the fall business recovery not so strong or were it to falter because of unexpectedly adverse developments, the rediscount rate well might be reduced to 1¼%, thus bringing it in line with the present 1⅛% rate. But while business remains in this state, the board is reluctant to take action that might be misinterpreted as a sign that it again is worrying about economic trends. It is aware of the banking system's opposition to the reduction because of its possible depressing influence on some other rates. It fears it might be criticized for acting when no action appears necessary. The same reasoning explains the Treasury's inclination to hold off on further changes in the basic one-year rate until business conditions dictate a move.

"(4) Because of the impressive improvement in the cash position of the Treasury—which has been pleasantly surprising even highest Washington officials—there is little probability of an open market cash financing, outside of bills and tax savings notes, until the final quarter of the fiscal year. That would mean the spring of 1950. In the event of a large-scale cash financing then, notes might be employed.

"(5) Should business turn soft again and thus, economic trends justify further action, the one-year rate well might be permitted to reach 1% and a pattern of note refundings might be geared to that rate. But there is strong resistance among today's officials to a lower rate than 1% on one-year money. There is the feeling that while banks might be properly asked to accept such slim returns as ⅞% on certificates during a period of emergency war financing, they should not be asked to accept similarly meagre returns during a period of peace, even though this is a most uneasy peace. There is the belief that banks may properly ask for better rates than these, in view of their higher overhead costs and their need for covering these overhead costs without resorting to undue speculation in investments or loans. There is the recognition in the tremendous impact changes in Treasury rates have on all other lending rates and markets. There is the feeling that authorities should move with great caution in changing rates at this time so that in the event of a sharp swing upward again, there would be no danger of too drastic adjustments on the other side. These are persuasive reasons.

"(6) It is imperative that all investors realize that on June 29, when the Federal Reserve Board announced its shift in open market policy to a definite anti-deflationary basis, it also escaped from the straitjacket of the long-term page. With the knowledge and tacit approval of the Treasury, it took advantage of a strong market to escape from previous commitments to hold specific prices and now and in the future, it may adopt whatever new policies it deems in the general interest. However, the overwhelming opinion among today's officials is that while the exact pegs selected in 1948 might be subject to some criticism, the support policy itself was absolutely vindicated by subsequent events and the program stands as one of the wisest in Reserve history. And should there be a sharp turnaround and a renewal of heavy liquidation, it is logical to expect that support of the bond market again would be adopted as a basic Reserve-Treasury policy. There is significantly little favor for above-par supports; for rigid pegs up and down the list; for, in short, creation of another straitjacket. But there is significantly great favor for support and management when conditions again revive the problem. The investor who designs his portfolio accordingly—writing down his long-term bonds and protecting himself to the extent necessary in shortest-terms—will be able to ride through any adverse period.

Miss Porter concluded her address with a brief discussion of major premises upon which general bank portfolio policy should be based. "There are and will continue to be opportunities available in the government market for safe, profitable investments," she said, suggesting that only "when corporate bonds offer sufficiently high yields and high safety to justify large-scale shifts from governments should such shifts be made. All bankers should be flexible in thought and maintain flexible portfolios in times such as these," she remarked, "but there is significantly little flexibility in the fundamental rules for sound investing."

Southeast'n IBA Group Nominates Jos. Sener

BALTIMORE, MD.—The Southeastern Group of the Investment Bankers Association has elected Joseph W. Sener, John C. Legg & Co., Baltimore, for Chairman to succeed James A. Lemon, Johnston, Lemon & Co., Washington. Named as Vice - Chairmen were: W. Peton May, Investment Corporation of Norfolk, and W. Carroll Mead, Mead, Miller & Co., Baltimore. John C. Hagan, Jr., Mason-Hagan, Inc., Richmond, Va., was chosen for Secretary-Treasurer.

Joseph W. Sener

Members of the Executive Committee, in addition to the officers, are: Wilfred L. Goodwyn, Jr., Goodwyn & Olds, Washington, D. C.; J. Murray Atkins, R. S. Dickson & Co., Charlotte, N. C.; Richard P. Dunn, Auchincloss, Parker & Redpath, Washington; and Edward P. Dunn, Robert Garrett & Sons, Baltimore.

Members of the Nominating Committee presenting the slate were: Richard P. Dunn, Auchincloss, Parker & Redpath, Washington; George D. List, Robert Garrett & Sons, Baltimore; and Edwin B. Horner, Scott, Horner & Mason, Inc., Lynchburg, Va.

LETTER TO THE EDITOR:

Says Gold as Standard Money Cannot Have Price

Edward Henry Neary says proposition to raise price of gold is merely to increase discount on our paper money.

Editor, Commercial and Financial Chronicle:

Sir Stafford Cripps is a man of high moral standards; yet he several times publicly denied that the government would devalue the pound; "diplomatic denials" they are called.

Our Secretary of the Treasury likewise has publicly denied that the "price of gold" will be raised. Are they diplomatic denials? They almost infallibly will be unless the Congress stops overspending, and there isn't much chance of that.

Next, what does "raising the price of gold" mean?

The standard unit of value is the dollar consisting of 15 5/21 grains of gold 0.9 fine (31 U. S. Code, section 314; Proclamation Jan. 31, 1934). The standard of value is therefore gold and cannot have a price. That is so nearly axiomatic that it is difficult to explain. (Cf. The Bullion Report; Marx, Capital, Chs. I, II, III, labors with it at length.) A standard is that with which things other than the standard itself are compared. To compare requires two or more subjects of comparison. The verb "to compare" is from the Latin "comparare", i.e., "con", with, and "par", equal; the "are" is inflectional and indicates action, an act, i.e., to observe two or more objects and to note their similarities and differences. The price is gold, i.e., the dollar, which is only a specific quantity of gold.

Assume that the proposition is false; then (1st), The price of 15 5/21 grains of gold 0.9 fine is a dollar. (2d) The dollar is 15 5/21 grains of gold 0.9 fine. (3d) Substituting: The price of 15 5/21 grains of gold 0.9 fine is 15 5/21 grains of gold 0.9 fine. A truism or identity which conveys no meaning.

The importance of knowing that gold cannot have a price is that in 1933 and January, 1934, the people were told that the Administration raised the price of gold, i.e., bank cheques or paper money for more than the coinage value ($20.67) were paid for gold. Obviously the more dollars into which an ounce is coined, the less each coin must weigh. Finally on Jan. 31, 1934, the proclamation was issued which fixed the weight at 15 5/21 grains 0.9 fine, a depreciation of 10 59/105 grains of gold 0.9 fine to the dollar.

To complete the description of our currency, etc.: obligations to pay dollars within the United States were repudiated by the proclamation of March 6, 1933, approved by Act of March 9, 1933, which prohibited the transfer of gold. For example, Federal Reserve notes are $23 billion out of $27 billion of money outstanding; these notes are not paid in gold but are legal tender. Our paper money is now at a discount; this is proved by the so-called premium on gold at home and abroad which in fact is a discount on paper; this follows from the fact that gold has not a price.

To give away billions of such repudiated, depreciated, currency to foreigners may seem to some to be harmless. But the foreigners use it to obtain our goods, our real wealth. "It is the goods they want, in the end," said Gov. Eccles.

The proposition to raise the price of gold is in fact to depreciate further the dollar. The remedy is for Congress to reduce spending, to restore gold to circulation and to pay gold when demanded in satisfaction of promises to pay dollars.

EDWARD HENRY NEARY

273 Main Street
Port Washington, N. Y.
Oct. 22, 1949

One Bond Issue Rather Than Series Proposed For Cuban Government

Financing of the Cuban Government's new $100,000,000 program of public works projects should be done through the flotation in this country and Cuba of a single bond issue rather than through a series of bond offerings, Enrique Godoy, President of the Banco Godoy-Sayan of Havana and of the insurance organization of Godoy-Sayan, declared in a statement released Oct. 19.

Pointing out that the Republic of Cuba undoubtedly is able to float an issue of any number of bonds provided the money derived from the bonds are to be invested in projects capable of producing revenues sufficient to cover the debt they represent, Mr. Godoy also urged, in connection with the proposed financing:

"The constitution of a first and preferred mortgage on the income or revenue derived from the projects carried out with the loan, and on the projects themselves;

"The pledge of the full faith and credit of the Cuban Republic;

"That the construction, administration, management, operation and maintenance of the projects constructed with the moneys loaned be handled by autonomous organizations, controlled by the Fiduciary Assistant Attorney representing the bondholders;

"That the principal as well as the interests of the bonds be payable at Havana or New York in Cuban or American currency at par, at the bondholder's option;

"That the rate of interest and amortization plan be satisfactory to the investing markets of Cuba, United States and Canada;

"That the income derived from these bonds be tax exempt;

"That discounts or compensations assigned to the members of the syndicate formed for the issuing of these bonds be satisfactory;

"That the issue or issues of bonds representative of the debt be approved by the Securities and Exchange Commission, and listed on the stock exchanges in Havana and New York."

Mr. Godoy also stressed "the imperative necessity of checking the engineering, technical, accounting and legal aspects by engineers, public accounts, and lawyers appointed by the organization assigned to carry through the operation, in order to verify their economic, engineering and legal status.

"Regarding the manner or the time for making only one issue of bonds and of receiving the moneys derived from their sale, it is my opinion that the bonds should be issued at one time for the total necessary amount for completing a construction plan of specified projects, even though the amount derived from the issue could not be immediately invested in such projects. These moneys should be placed under the custody of the Fiduciary Assistant Attorney appointed by the bondholders, who will draw against these funds to pay for work done, service rendered, properties acquired, etc., solely and only against certificates signed by the persons previously designated for this purpose."

The insurance organization of Godoy-Sayan represents a number of American, English and Canadian companies.

British Devaluation Disillusionment

By PAUL EINZIG

Commenting on enthusiasm with which devaluation was greeted in Britain, Dr. Einzig notes change of sentiment arising from failure of move to bring substantial improvement in economic situation. Says discounts still prevail on various types of sterling exchange, and prices of British Government obligations are still falling. Looks for heavier government expenditures and possible higher taxes.

LONDON, ENG.—The enthusiasm—genuine or otherwise—with which the devaluation of sterling was greeted in many official and unofficial quarters over here is wearing off rapidly. During the days that followed Sept. 18, many people were inclined to believe that Britain's economic problem has been solved with a stroke of the pen, or at any rate things were now bound to change for the better. This psychological effect of the "shot of morphia" (as the operation is described by pessimists) has to a large extent subsided, and the prospects have once more come to be viewed with concern. While it is generally admitted that the government was right in devaluing, the number of those who expect a sudden substantial improvement, such as was experienced after the suspension of the gold standard in 1931, is declining fast.

Dr. Paul Einzig

The announcement that between Sept. 18 and Sept. 30 the gold reserve increased by £20,000,000 only caused some disappointment. Before Sept. 18 it was widely believed that the short position in sterling was very large, so that covering purchases after a devaluation would be very considerable. The large extent of the cut in the exchange value of sterling further stimulated these hopes. Even though it is possible that all overdue sterling payments were not made immediately after devaluation, the chances are that the bulk of them was effected at the earliest possible moment. The result cannot be said to have been impressive.

What is much more disappointing is that hopes that the discount on the quotation of sterling abroad would disappear as a result of the devaluation have failed to materialize. Various types of sterling the use of which is limited are quoted at a discount. To some extent this is inevitable. After all, if sterling which, though inconvertible, can be spent and transferred fairly freely is worth $2.80, it stands to reason that sterling the expendability of which is limited should be considered to be worth less. What is felt in many quarters is that the choice of a surprisingly low rate has failed to achieve its end. The main reason why sterling was cut by full 30% was that the government was anxious to do away with the discount on sterling in various unofficial markets abroad. It now seems that in spite of the heavy cut the discount is still there and its continued existence may possibly provide opportunities for operations leading to losses of the dollar proceeds of Sterling Area raw material exports. Although there is a difference in the degree to which this factor is likely to operate against Britain on the basis of the present exchange rate, it is disappointing that the drastic devaluation seems to have failed to achieve one of its main ends.

The sharp fall in government loans in October is yet another cause as well as effect of the devaluation disillusionment. It will be remembered that after the first shock of the suspension of the gold standard in 1931 spent its force, government loans underwent a substantial rise, so much so that towards the middle of 1932 the Treasury was able to convert the 5% War Loan into a 3½% issue. Although it would perhaps be premature to form a definite judgment, it seems that history is not likely to repeat itself in this respect. Internal political developments may be responsible for the setback. The anticipation of an early general election, together with fears that the Labor Party, if confirmed in office by the electorate, would pursue even more radical Socialist policies than it did during the past four years, may be the immediate cause of the fall. But the widespread feeling that all is not well in respect of the effects of the devaluation must be partly responsible for the adverse fundamental trend.

The absence of any evidence of a determination on the part of the government to resist the trend towards an increase in wages and of public expenditure may have a great deal to do with the atmosphere of pessimism. Although Sir Stafford Cripps insists on the maintenance of the "wages ceiling," even he is prepared to admit the claims of the lowest-paid workmen. There is a widespread pressure in favor of a minimum wage arrangement and an equally widespread demand on the part of higher-paid workmen to participate in any wages increases. All this pressure is likely to increase as and when the devaluation produces its full effect on the cost of living. Even Sir Stafford Cripps now admits that there will be a rise in excess of his original forecast of 1%. The government, while condemning any automatic increase of prices, has shown a very bad example by raising the sterling prices of base metals sold by the Ministry of Supply to the full extent of the devaluation, in spite of the fact that it owns large pre-devaluation stocks and that much of its supplies are covered from non-dollar countries. Having set such a precedent for profiteering, the government will not be in a strong moral position to resist similar action by private firms.

It was expected that devaluation would be accompanied by an economy drive, following on the precedent of 1931. While the government departments are in fact pressed by the Prime Minister and the Chancellor of the Exchequer to reduce their administrative costs by some 5%—a mere drop in the ocean—it has now been admitted that the cost of social security services, so far from being reduced, will be allowed to rise even further. On the occasion of his Budget speech in April, Sir Stafford Cripps declared that no supplementary estimates must be submitted. Now he accepts the inevitability of an increase of the cost of the National Health Service.

The changes are that the total of national expenditure, so far from being reduced, will actually increase. And since Sir Stafford Cripps wants to continue his disinflationary policy, he is expected to take an early opportunity for raising taxation revenue. Already the tax on distributed profits was raised from 25 to 30%. Higher taxation means higher cost of production and this will wipe out some of the safety margin created through the excessive devaluation of sterling.

The fall in prices in the United States is yet another factor which tends to reduce the gains that are expected to be derived from devaluation. It is no wonder that many devaluation enthusiasts are disillusioned. There is a complete absence of that stimulating atmosphere which in 1931-32 went such a long way towards ensuring a maximum result for the depreciation of sterling. Possibly the evidence of an increase of exports to the Dollar Area might revive the optimism. But the increase will have to be very substantial in order that it should produce that effect.

Gilbert Currie Heads Detroit Bond Club

DETROIT, MICH. — Gilbert S. Currie, general partner of Crouse & Co., has been elected President

Gilbert S. Currie Reginald MacArthur

of the Bond Club of Detroit it was announced. Mr. Currie has been identified with the Bond Club for many years and is a prominent figure in the field of investment banking.

Other officers elected are: Reginald MacArthur of Miller, Kenower & Co., Vice-President, and Victor P. Dooghe of Blyth & Co., Secretary and Treasurer. Directors are the officers and Joseph F. Gatz of McDonald-Moore & Co., retiring President; Merle J. Bowyer of Braun, Bosworth & Co.; Ernest B. Kelly, Jr., of Halsey, Stuart & Co., and Frank P. Meyer of First of Michigan Corp.

Wadden, Cooney With Kidder, Peabody Co.

CHICAGO, ILL.—Kidder, Peabody & Co., 135 South La Salle Street, announced that William M. Wadden Jr., former president and treasurer of Wadden, Williams & Co., Inc., has become manager of the stock department and Walter E. Cooney, associated with the Wadden, Williams company until its dissolution Oct. 17, now is a member of the trading department in their Chicago office.

Mr. Wadden has been a La Salle Street figure in his own and other firms since 1933. He attended the University of Virginia and is a member of the Knollwood Country Club.

Mr. Cooney was with Fred W. Fairman & Co. before the war and joined Wadden, Williams & Co. after army service from 1942 to 1945.

With Hill Richards

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — James C. Johnson is now with Hill, Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with William Walters Securities Company.

Getting and Keeping Your Customer's Attention

(Continued from page 4)

type of security? Why do they do it?

Now, as salesmen, you must know the answer to tnat question. You have got to know why people buy securities, why that action takes place. If you do know, then you will have the key in knowing what to do in order to make a purchase occur. If you do not know, you will find yourself to be a little bit lost in knowing how to put over a good sales canvass.

Making a purchase is a human activity. It is a piece of human action, and if you are going to understand why a person buys something maybe we should look, for a minute, at the subject of why people do anything. What is the motivation behind any human activity? What are we doing in this room, here? Why did we get up in the morning and go to work? And why did we spend our money the way we did?

What is it that takes place to motivate these activities? If we can understand a little bit about why any action is taken by people, then we will have some kind of a basis to know why people may buy stocks and bonds.

There are various basic reasons set forth by psychologists relative to the motivation of human activity. Just which of the psychologists is more correct, I don't have the slightest idea, but some of the reasons are these:

Hunger. Some psychologists believe that all human activity is motivated purely by hunger. Yet, if I lift up this ash tray and put it down again, you would have a pretty difficult time explaining how hunger was the cause of my action.

Other people say that all human activity is motivated by sex drives. It was Freud who first put forth that theory. Later, he changed his opinions and called it "eros," a combination of other things.

Jung says it is the "libido" which drives people to action. Others say it is "self-preservation," and still other psychologists say no, it's just the reaction patterns from various stimuli that are presented to people. Then, again, it is held that there is a "pleasure-pain" principle in life which motivates us, that you move away from pain and toward pleasure.

Those are different theories set forth. We do not have to decide which one is more right. Maybe a combination of them is right. But we do know that there is some motivating force behind every action, that our activity is not pointless, that there is always a reason for our doing things.

And there is a particular reason why that individual left 72nd Street and came down to Wall Street to buy some bonds. What we are trying to explore, for a minute, is the reason why that activity takes place. There is a cycle of human action that we should look into for just a moment.

Let's consider that we become hungry, and sense that hunger, and that feeling of hunger sets up a drive within us to go out and get something to eat. When we have finished eating we feel better again.

This represents a very common occurrence in life, which has four parts. First was the stimulus of hunger itself, that was felt by contractions in the stomach, and maybe by the release of some chemical juices, which set up a tension inside of us, a tension of hunger.

As the hunger increases the tension becomes greater and greater. The greater the tension, the greater the drive urging us to go out and get something to eat.

The drive sets up what is called an "adjustive behavior action." We have all learned that when we become hungry the thing to do is to eat. The mechanism of taking that action reduces the tension.

So, you start out with a stimulus that sets up a tension which, in turn, drives us to take some kind of action that will reduce the tension and bring us back into comfort.

Now, the first time we had a lecture here, the room was very warm. We did not have the windows open but during the recess we opened the windows and adjusted ourselves to the temperature of this room.

It should be remembered that the greater the stimulus is, the greater the response to it will be, and, relating all of this to our selling, we find that human activity takes place primarily to satisfy our wants. When we become hungry we feel the need for food. The tension makes us aware of a need for something. We have a very human want.

Most of human activity is based upon the satisfaction of our wants and the more sensitive we are to any particular want, the greater is our response to that want.

If I were to stick a pin in our friend, sitting here, and gave him a good jab with it, he certainly would do something to get that pin out of his arm. He would take some action. Now, if I just put the pin into his arm very gradually, he would probably just take the somewhat milder action of simply moving away a little bit. But if I were to give the pin a forceful jab, I would certainly get a greater response from him.

The degree of the irritation, or of the tension, determines the degree of response to that tension. So, when you are out selling anything what you do, technically-speaking, is to "irritate" your prospect, by making him intensely aware of a lack of something in his life, or in his conditions.

Salesman, an External Stimulus

You act as an external stimulus, which sets up a mental tension inside that prospect, making him feel vitally aware of a need for something. Then, through your selling you develop that need which is felt into a want.

Isn't that what you do? You go out and you talk about stocks and bonds and, eventually, the person gets to the point where he feels, yes, he wants some, he will buy some. Until you get him to feel that need and want, you do not make the sale. The function of every salesman is to bring the satisfaction of a want to his customer.

How intense is the want for what you have to sell? In reading the financial journals, at this point, it appears that your industry feels there should be a greater desire on the part of the public for putting their money into investment securities. So we might say that, on the whole, the want on the part of the American public for securities is not as great, or as intense, as it should be, or as it might be.

This indicates that perhaps a more intense selling job should be done to stimulate that want. Now, if you are going to know how to appeal to your customers in a technically correct way to make them aware of their need for what you have to sell, you have to know something about what buying motives to appeal to.

We are talking about motivation of human activity. You are interested in motivating people in a particular line of activity, namely, in making purchase of your investment securities, and we are discussing now the ways and means of how to motivate people to do just that.

In buying and selling, the motivation forces are called buying motives. A buying motive is any idea, need, feeling or condition that impels a person to make a purchase.

In order to sell your securities intelligently, you have got to know exactly what buying motives impel your customers to commit themselves to make purchases of investments. If you know exactly what makes a person do something then you know what to do in order to make them do that. You know how to start your automobile and get it moving down the road; because you know how to move that automobile, and if you know exactly what makes people buy investments, then you will know better how to make sales.

We are dealing with the fulfillment of want theory, as far as selling is concerned—that people buy things to fulfill the wants they have. What you do is stimulate a feeling of want on the part of a prospective buyer. Then you motivate that want into buying action, but in order to do that, you must make them want it bad enough to figure, "Yes, I'll spend that amount of money to satisfy my want."

Human wants are not the same with any two people on the face of the earth. They vary a great deal. One person might want to take his extra capital and buy a Summer home with it. Another person will take his extra money and invest it in a ranch, out West, that will return him a pretty good income, throughout the year. Still another person will take his extra money and send two or three young people through college with it, because that is what he wants to do with his money. Other people might quite easily be influenced to place their extra capital in investments. But everybody doesn't have the same wants.

Normal Rating of Human Wants

There is a rating of human wants; the intensity of wants, and the urgency of wants vary greatly and I have set up what I call a normal rating of human wants, which is divided into four classifications of wants, and I will discuss these classifications just briefly in order for you to decide at what level of human want your investments will be sold. The first classification concerns basic necessities; food and liquid, shelter, comfort, sex, health, cleanliness and transportation.

The first five are pretty much accepted by everyone as being very vitally necessary to everybody in life. Certainly, if you don't have food and liquid, you don't keep on living or working or anything. If you don't have shelter you might be exposed to the elements so that you will lose your life. If you don't have a certain minimum of comfort, you can't live and work, and if we didn't have sex we wouldn't continue the human race. It would die out. If we lacked health we would not be able to get around to perpetuate our individual existence by earning a living, one way or the other, and the last two, cleanliness and transportation, I add, because I feel that in civilization if you don't keep clean and if you are not able to get to your job, then you don't maintain your place in the civilized world.

Are investments basic necessities? Are you selling basic necessities?

The second classification is a higher quality and an extra quantity of the basic necessities. If you were making a very, very poor living at the present time, just enough to get by on, you would buy food and liquid. You would get a room somewhere, to shelter yourself, and provide some comfort, and if you got sick you would spend some of your money to get well again. That small amount of income would be spent on just keeping yourself alive. Now, if you made a little more money, if you received a raise, the next thing you would spend your money on is probably a better room, better food, better shelter, a little more comfort for yourself.

These are two categories, the basic necessities, and the second one is when you earn a little more and you can have a few more basic necessities. Would you say that you gentlemen are selling investments and securities on that second level?

Now, the third classification is certain other products or services which add to comfort, progress, happiness and entertainment. If you received still another raise, if you had a little money left over, now, above these very basic necessities we have been talking about, then normally you would spend your money—and you might get a radio, you would buy a bottle of good liquor once in a while, you would buy some good cigars, you would entertain yourself a little bit more.

Maybe you would also buy better clothes, or you would buy an automobile. Some of the commitments, there, are for social approval, approval of the people that you associate with, and if you were married you might buy certain products which would be called time-saving products and instead of doing all the labor yourself, manually, you would better yourself, as far as the services were concerned.

Also, you might spend a little money on education, to better yourself, and that is the third category. Would you say that your investments and securities were sold at that level, at the third level?

The fourth classification is luxury items, jewelry, fur coats, summer homes and replacement of items before they are worn out. You got still another raise and you are making quite a bit of money now, and you feel that you can spend some of it on these luxury items. Would you say that investments and securities were sold at the fourth level? At which level are investments sold?

Time Urgency Factor in Buying and Selling

I want to acquaint you with something that is most important in any salesman's work, and that is directly related to the subject we are discussing. This new thought is the time urgency factor in selling and in buying. In classification number one, in this rating of human wants, when you have very little money to spend there is quite an urgency in the spending. You have got just enough money to go out and get something to eat when you get hungry, and you don't have very much money to spend on eating. You are going to buy 40 and 50-cent meals somewhere, and when you get there you are probably quite hungry. There isn't much choice, or selection, as far as your buying is concerned. You just get in there and you get the blue plate special quick. You are hungry and you want to eat "right now."

There certainly is not much selling done in that situation. The man behind the counter doesn't go to very much trouble in selling you.

When you are going out and you are just getting a coat to keep you warm, you have to get it quick and you have just so much money, very little money to spend on this coat, and there again there is not much selection, as far as you are concerned, and not a great deal of selling is done in that case either.

As you earn more money and come up into the second classification where you are able to buy a few more necessities and better ones, then your purchasing discrimination becomes a little more selective. You are not quite in such a hurry. You have been eating fairly regularly.

As you earn more money and go into the third classification where you are buying other products, then your purchasing selection becomes a little bit fussy, we'll say. And when you get into that level of buying, then the man who is selling you the product has got to be a little bit more careful in how he sells you.

As wants become farther removed from basic necessities, the want becomes a mental anticipation of a desirable satisfaction.

When you are very hungry, you don't care so much, you simply went in and made your purchase. But the person who is stocking up on a cellar full of wine, he is buying liquid, but his selection is going to be done quite meticulously. He is not buying for an immediate and urgent want, he is buying from a want that is anticipated. He is anticipating a satisfaction that is going to take place later on, from drinking this wine.

So, there is an indirect proportion between the urgency of the want and the intelligence and intensity of the sales job that is done. The farther away you get from basic human wants, the tougher it is to sell something because the fellow doesn't need it right away. You can't simply say, "Now, listen, there it is. Take it or leave it." He's got to take it. He needs it. He has no chance to say, "No, you listen. Give me what I want." He can't say that. He only has half a dollar.

But when he steps out of his limousine and has $5,000 in his pocket, the salesman certainly has to treat him differently.

As your wants get away from very vital and urgent needs, your buying selection becomes much more selective, and the sales job has to be handled with much greater care.

The Category of Investment Selling

Let's go back to our four categories at this point. In what category does the investment selling fall? Basic necessities, more of them, products and services that add to our pleasure and entertainment and progress, or luxury items? The farther down the scale you come away from the urgent wants, the harder it is to sell, because the person in the last category entertains that want only in his imagination. It is once-removed from an immediate want. He is not going to use it right now. He is not going to put that coat on, because it isn't cold out right now, but he is buying to anticipate something, and the satisfaction of the want he has is purely in his imagination.

Therefore, if it is just within his imagination, the person who does a smart selling job must realize that what he is doing is building up, purely as a mental condition, the customer's desire for something, and his need and want for something, and the salesman who sells that kind of a product or service has got to be a smart man, because he is dealing in something more intangible, the projection of the human mind.

That is what you do when you sell investments and securities. You project a customer's imagination of his want into the future.

Let's see if we can determine where investments and securities fit, as far as this rating of human want is concerned.

Investments certainly are in a special category of an item for sale. They differ from product and service, and also insurance. Ordinarily, a low-income person who has money only for basic necessities, hasn't any money left over to buy securities with—therefore, we might conclude that as far as a very low income person, who derives that income from his

own work, is concerned, maybe he is not in the market for securities. The person who is making a little more money for these extra quantity and better quality necessities, and is earning that money, again, from his own work—we are in the second classification here—that person also is a fairly poor market for securities. As soon as any surplus over the basic necessities exists, I would say that a market also exists for investments and securities, and that you compete with all the other producers for the consumer dollar that is not by necessity spent for bare essentials.

So, primarily, investments fit into classification three, and also the person who fits into classification four is a prospect for what you sell.

Because investments differ from every other thing on the market, you have to consider their sale strictly from their relationship to the individual buyer.

There are many people who get their basic necessities in life from being in a position where they are derived from investments. They do not earn them by their own work, and therefore, as far as those people are concerned, investments and securities provide their basic necessities, so that to a very large market in this country your investments and securities apply also in classifications one and two, because unless those people did receive income from their investments, they would not even eat, pay the rent, buy clothes, and so forth, so that every individual person you contact, your solicitation to them, as far as selection of buying motives in relation to urgency of need, those buying motives have to be individually selected and applied.

Investment As Means of Livelihood

I feel that investments and securities are a means of livelihood for a great many people. They could be, for a great many more. There are some people in this country who, as far as their knowledge is concerned, think they can get money only from their daily work. They do not know that what they save from their daily work can also be put to work for them.

Any person who has any savings should be approached and told that their savings can work for them. In a capitalistic set-up, the ideal situation should be that when man's own labor diminishes because of age, then the income from savings from that labor should make up for his lessened work income.

If a man invests his life, his personal life, in American business, is there any reason why he should not invest his savings in American business as well? There is no reason why he shouldn't, and yet there are millions of people in this country who work for American business, who have a prejudice against having their money work for American business, and I ask you what is the difference. No difference, but a lingering prejudice and ignorance in their mind.

They may say, "But I don't want to risk my money in stocks and bonds." Very well, say, "Well, you have risked your whole life in American business, and it was a pretty good risk, wasn't? Well, there is no more risk when you invest your money," and is there? He may have gone to work for a company whose success declined and then he leaves that company and goes to another, and any person that buys a stock of a company whose success recedes can take the money from there and put it into another company. What is the difference, whether you, yourself, work for American business, or have your earnings work for American business? There is none.

A List of Buying Motives

We were discussing buying motives. I am going to give you a list of buying motives. There are two major classifications that we should consider first. There are primary buying motives, and selective buying motives. A primary buying motive is the reason for making any purchase. It is a motivation for buying an automobile, any automobile, or a certain stock, any stock. It is the creation of the desire to make a purchase. A selective buying motive is the reason for choosing a particular brand of car or stock in a particular company.

If your customer has already made up his mind that he is going to be putting some money into the investment field, then you don't use primary buying motives. You do not need to do a creative selling job in that case, you simply need to do a selective selling job to have him invest that money through you and your company, and also the selection of the particular securities he is going to buy.

The other major classification in buying motives is the emotional versus rational buying motives. A rational buying motive appeals to the higher center of your reasoning powers, your logical thinking. The emotional buying motive appeals to what is commonly known as your "heart," the lower cortical section of your brain. You know that most products and services are sold because of emotional buying habits, not rational buying habits. It is not easy for a man to live, continually, by very sane and logical reasoning. There are lapses, very frequently, and we live in our emotions. We know very well that we should not become quite angry or upset, and yet we allow ourselves to become very angry, and when that occurs, we are not controlling ourselves from that part of the brain that does rational thinking and rational buying.

Here is a list of buying motives, classified as emotional or rational; here are the emotional ones:

Prestige, Economic Emulation, Pride, Approval of Others, Improve Yourself, Protection and Safety, Labor Saving, Sacrifice Appeal, Security.

The rational ones:

Convenience, Savings and Profits, Dependability, Durability, Ease of Operation.

You gentlemen often wonder what to talk about when you go in to sell. These buying motives are what you should appeal to. You can see selling points to appeal to those motives, and those motives will make sales for you.

People may buy investments purely from the prestige value. They like it when their friends know that they are in the market. Economic emulation, of course, is keeping up with the Joneses. Your neighbors are all in the market, and why shouldn't you be in the market? There is a group of people who take pride in the fact that they own investments and securities.

I heard a story a while ago about one person who says he owns a part of all American business because he bought one share of every stock on the big board. Pride motive.

Improve Yourself, that is one emotional buying motive that you gentlemen appeal to every day. That would be one of your primary buying motives. Protection and Safety, certainly that is most important in the sale of securities. Labor Saving, a person can increase his income from his investments. He can save in his own labor as he becomes older. Sacrifice Appeal, many people buy from that motive but refuse to admit it. And Security is, of course, one of your most important buying motives, the security of well-diversified investment programs.

Now, on the rational side, your Convenience, there is a motive that you gentlemen probably appeal to every time you make a canvass, the convenience of doing business with your particular house, and all the services that your house offers to the customer.

Savings and Profits, that would be number one buying motive in your field. You probably never make a solicitation without talking about that. Dependability is one that you certainly use. You build up reliance upon yourself and upon your house, and you try to impress upon your customers that the investments that are being made can be depended upon.

Durability, you surely use that, too, how long your investment house has been in operation, the prestige of your house, and also the earnings record of the company or companies that your clients invest in.

Ease of Operation, that again ties in with the convenience motive that the person does not have to go to much trouble for handling of investments, through you.

Naturally, some of these motives overlap from the emotional list into the rational list, and back again. Some of them could be on both lists.

Every time you make a solicitation you have to decide which of these buying motives would be the best one to use for that particular customer. Maybe some of your customers just don't give a darn about any emotional buying motive. You've got some really hard-boiled buyers. They are only interested in savings, perhaps, securities, dependability. You have got to judge your customer according to what moves him to buy.

Buying Motives and Basic Human Needs

There is a direct relationship between these buying motives and basic human needs, that we have been talking about. People buy things to satisfy their needs and their wants, and the motivation to buy derives from their desire to satisfy these wants. Therefore, the motives that you appeal to are directly related to the very basic wants of your customers.

We do not have time to tie every motive up with basic wants, but I think that it is quite simple for you—you've got both lists there — to see the relationship between any two of them. Certainly, a person is interested in security as far as his investment program is concerned, to guarantee the continuance of some of his basic necessities, to keep him going in life. A widow who is dependant upon income from investments would buy, certainly, for security rather than profits. Those would be related very closely to the first level of basic necessities.

Your approach to that type of customer would be entirely different than a very rich person who was in category number four, who had a lot of money to spend on luxuries and his point of view in going into the investment market would be entirely different from that of the widow. Then, your selection of buying motives would also be different. That person might be interested in quick profits, or that sort of thing, and therefore your selection of buying motives for him would be different than the other type of buyer.

Summary of the Solicitation

Let's have a summary, for a minute, on the solicitation itself. The first thing you did when you came in the door was to introduce yourself. There was the introduction. Then, there was the setting of the right attitude for the sale to take place in, and there was the beginning of a social conversation in order to set a friendly atmosphere and to make the buyer believe that there was a friendly, easy-going relationship between the two of you.

You next made sure that you secured his attention and, when you had his attention, you started the opening of your formal canvass. Now all those steps make up the approach part of the sale.

As soon as you launched into your formal presentation, you got into the next step of the sale, the development step, which occurred when you started to present your offer and develop his interest in your proposal.

During the development step, you make him aware of the need for what you are selling. Remember that people are not always aware of their needs. When you are not hungry, you don't think of eating. When you become hungry, you do think of eating. People do not go around in their daily lives, thinking of investments and securities, unless they happen to be in the business. Just as the internal tension of a person makes him think of eating, you, as a salesman, must stir up a tension inside your customer, to make him think of investments, and the need he has for proper investment of his money. You act as the stimulus.

I believe salesmen are the greatest spreaders of dissatisfaction in the world, and that is true. What you do is to spread dissatisfaction with the current circumstances. A person who is going to sell you a television set makes you dissatisfied with conditions at home without that set. He makes you feel the lack of it. He rubs into you, quite realistically, that you friends all have television sets now and are quite happy with them, and you need one. He arouses your need, and if he is a good salesman he makes you really want that television set, and in making you want it he uses the sales presentation. He makes you dissatisfied at having no television in your home.

You have to make your customers want to invest their money in your offerings by making them aware of their need, and developing their wants into doing something in that direction. As I say, they don't go around all the time feeling that need, and unless someone like yourself stirs up their interest, they are not going to buy anything, so you contact him and you develop that desire on his part to buy some securities. Then you show him how your offering would bring him satisfaction, as far as this field of activity is concerned.

In doing that, you employ certain selling points that appeal to the buying motive that you feel underlies that person's life. You determine, immediately, whether you have to use primary buying motives, whether you have to do a creative selling job, or whether you just have to do a selective selling job. Remember that what you are doing is trying to get him to accept and agree upon the idea that you are putting forth, that it would benefit him, and bring him lasting satisfaction if he would go along with you in this investment program that you are suggesting.

You are now in the development part of your sale. You are using a sales story to have him accept what you put forth. Now, remember that a sales solicitation is meant to sell. It is not an end in itself. It is not a recitation. And a sales canvass is not made just to impress the other person with what a good salesman you are or how much you know about the security market. Your selling solicitation is nothing but a tool to get an order, and you have got to plan it and use it as such if you are going to be successful in this business.

Again I say that the question that you have to answer to your prospect is this question: "What good is it going to do me?" You have got to answer that in a very personal way, because he is thinking that question all the time you are in his presence. You have got to spell out quite carefully the advantages that will accrue to him, and the benefits that will come to him, if he buys what you are offering.

It really isn't hard, because what you are selling has a terrific appeal. I am trying to look at this subject in a very personal way, right now, and I know that it is to anybody's benefit if they have their savings invested somewhere where they are secure and where they are making some money for them. You get along in life, a little bit older and begin to wonder about how much longer you are going to be able to keep up the pace, especially, if you live around New York City, and you get to be a little older and realize you don't have the same stamina that you had 15 years ago, and that, certainly, it is not going to be increasing, that, somewhere along the line, help would be a wonderful thing, and that help should come from what you have done, yourself, from your savings, in putting them to work for you.

Something to Sell With "Terrific Appeal"

You gentlemen have something to sell that has terrific appeal to the American public, if it is presented in the right way. If they are made to understand the honest-to-goodness benefits that would come to them, such as everyone in this room understands right now, as far as investments are concerned, that is, but in order to get them to appreciate what satisfactions they can get you have to do a lot of talking to them. So many people that I know go in and make a solicitation, and it certainly can't be called that, it's really just asking a few questions, and they expect to sell something just through that kind of a canvass. That just doesn't happen. Selling involves a lot more.

We discussed, a while ago, the subject of interest. I feel, among us, right now, a mutual feeling of interest, as far as the worth of the investment business is concerned. Now if your prospects and your customers could have that same feeling, that same mental concept, of the worth and goodness that can come from intelligent investment programs, I think they certainly would want to go along and put their money into those programs, but you see, in order to get that kind of mental acceptance it takes a lot of selling, and intelligent selling, appealing to the buying motives that will really stir a person up, because they are very closely related to the very fundamental things in life.

I said, earlier today, that there is no other thing for sale in this country that can appeal more closely to the personal gain motive of the American public than what you people have to sell, and because of that, your selling should be easier, because we have been created as personally selfish beings, in order to continue our existence on this earth. If we were not, we would have been wiped out, and therefore, we are very much interested in our own personal lives and our personal gains, and if investment salesmen can sell close to that instinct, if you will, and relate your offerings to these very fundamental and basic wants of people, if you can arouse that want in their minds, then it will not be hard to have them commit themselves to your proposal.

Do you remember the saying, "Think no evil"? That is based on the principle that if you don't think of something you probably won't do it. If you get it out of your mind, you will forget about it, but if you think about it you will probably do it. The same principle applies in selling, that if you do get a person to think for quite some time about your proposal, then they will probably do

(Continued on page 26)

Getting and Keeping The Attention of Your Customer

(Continued from page 25)

it; the more they think about it, turn it over in their mind, the closer they are to taking it. In order to get them to do that thinking, in order to get them very much interested in it, you have got to give them a lot of information by making a complete solicitation, so that when you are in there talking with them, then, "this is it," and there is nothing else, this is it, right here, this investment program. Forget everything else, including the work, on the table there, and everything but this that he contemplates buying. None else matters. What is of vital interest to the buyer, his family and his future, is this investment program.

A complete solicitation will focus the customer's attention on that subject.

Purkiss Heads Div. For Walston Hoffman

Walston, Hoffman & Goodwin, members of the New York Stock Exchange, announce that A. C. Purkiss, a general partner, has been named Manager of the firm's Eastern Division with headquarters in the New York office, 35 Wall Street. Mr. Purkiss will also serve as Syndicate Manager for both eastern and western divisions.

A. C. Purkiss

Mr. Purkiss, a member of the firm since 1946, has been Manager of its Southern California offices with headquarters in Los Angeles. His transfer to New York marks an organization's step in connection with the firm's expansion program. One of the largest investment houses on the Pacific Coast with 17 offices in that region, Walston, Hoffman & Goodwin entered the eastern territory Dec. 1, 1948, with the opening of an office in New York at 35 Wall Street. The firm recently established offices in Philadelphia and Harrisburg, Pa., and Hagerstown, Md. Early this year an office was opened in East Orange, N. J., bringing the present total of offices to 22. The firm's expansion program calls for the opening of offices in Pittsburgh and Erie, Pa., in the near future.

Mr. Purkiss during the past year was Secretary of the Bond Club of Los Angeles, and a member of the Public Relations Committee of the Los Angeles Stock Exchange. He is a former member of the Executive Committee of the California Group of the Investment Bankers Association.

Schafer, Miller Adds

Julius Rowe has joined the firm of Schafer, Miller & Co., members of the New York Stock Exchange, as a registered representative in their main office at 15 Broad Street, New York City

John V. Garner Joins Stein Bros. & Boyce

WASHINGTON, D. C.—John V. Garner is now associated with Stein Bros. & Boyce, Union Trust Building. Mr. Garner was formerly with Goodwyn & Olds and Folger, Nolan & Co.

Devaluation, Currencies and Related Elements

(Continued from page 3)

veloped and offered as truths the like of which monetary economists had never seen and probably had never supposed could ever take hold among laymen, much less be considered seriously in official circles.

But, as though struck with a fever or some sort of madness, powerful groups of industrial and agricultural leaders and government officials took the position that a country with a weak irredeemable currency had an advantage over a country with a strong redeemable money and that it was necessary to pull down the strong currency to the level of the weak.

Whereas in the 1920's we had said, and properly so, that our unchanged dollar was a stabilizing factor in a world of great instability, in the early 1930's we reversed ourselves and took the position that a country having a depreciating or depreciated money had the advantage. In short, our position was to the effect that the worst currency was really the best, and the best currency really the worst.

In our wild embracing of this madness, we never settled down enough to state clearly just which of the weak currencies was the best or ideal one; therefore one could not know precisely what the target of depreciation or "goodness" in money was. The secret of that mystery was ostensibly in the hands of the manipulators who performed as though they were suddenly enabled to commune with some great authority inaccessible to the manipulators but not to experienced and recognized monetary experts. They never could bring themselves to face the logic of their basic position that, if a depreciated currency is better for a country than an unchanged redeemable money, the best currency would be the one having no value at all, and the country would gain most which simply gave away its goods.

The extent to which we are still afflicted by the idea, held officially, that a nation can maintain prosperity and increase its standard of living by giving away its wealth should be apparent to all mature people.

Recent Competition in Devaluation

The extent to which it is still widely believed that if one nation devalues its currency others should devalue too is illustrated in part by the rapid devaluation following promptly upon that announced by England on Sept. 18, and by the clamor for devaluation which promptly erupted in this country. We have a chorus of voices singing the same old fallacious themes of the early 1930's regarding the virtues of competitive devaluation. Despite the fact that, without the slightest valid reason, our standard monetary unit was amputated 41% in 1934, the current crop of agitators for further devaluation of our dollar points to the approximately thirty new amputees abroad and demands that we amputate some more and join these other monetary cripples in their miseries. "It must be done, it cannot be avoided, it will come by Thanksgiving, it will come in two or five years," sings this chorus composed of economic illiterates, confused people, and those who hope to gain something by a further depreciation of our currency.

An understanding of how we misbehaved when the madness of monetary manipulation took hold of us in 1933-1934 should protect us somewhat against a repetition now. At that time the advocates of currency depreciation and devaluation developed several arguments designed to justify an aberration that was a sorry commentary on human intelligence.

They contended that devaluation would increase exports and impede imports. Important export interests and farm leaders, through the Committee-for-the-Nation, pushed that contention with all the resources they could command.

It was also said that devaluation would raise prices; and the Warren dollar depreciation program was thrown into gear beginning Oct. 25, 1933. The price of gold was supposed to control the price level so definitely and closely that the Treasury, under the guidance of the late Professor Warren of Cornell University, fixed the price of gold on various occasions at odd figures lest the price level be shaken too much or not respond as desired. For example, on Dec. 1, 1933, the price of gold was moved to $34.01 per ounce from the preceding $33.93 of Nov. 29. As a consequence, the following jest was circulated among monetary economists and statisticians: "Question, What is the one cent for? Answer, it is for statistical accuracy!"

Since every monetary economist of experience knew, and facts at the time were proving, that a change in the price of gold had no close relationship as a causal factor to the price level, they recognized that they were witnessing what was probably the greatest exhibition of statistical fakery that our government had ever foisted upon our people.

The devaluationists also insisted that devaluation would reduce the debt burden, increase our supply of dollars, and stimulate production.

Practically every contention was either completely false or involved undesirable consequences.

The arguments and their falsity have generally been forgotten or not understood. We seem not to have taken time even to check back on the facts regarding the contention, pressed so hard then and being hawked about today as though it were an unquestionable fact, that devaluation increases exports and impedes imports.

A look at the facts should jar us into showing more care in getting our evidence before we advance our generalizations in respect to these matters. Our merchandise exports increased from $163,000,000 in February, 1934, to a high of $333,000,000 in October, 1937—an increase of 104%. Following October, a decline set in. Imports increased from $133,000,000 in February, 1934, to a high of $307,000,000 in March, 1937—an increase of 131%. Then a decline set in.

As an illustration of the basic monetary principle involved, it is fortunate that the facts happened to be as they were. The principle is that *provided other things remain the same*, devaluation tends to increase exports and to impede imports.

But every competent scientist in the field knows that such a statement, with that proviso, is merely a scientific device from which one works out on the many variables that enter the picture. He knows that other things do not remain the same—that indeed that is precisely what does not and cannot happen. He knows that counteracting forces and readjustments will operate so extensively that no human being can follow them all, and probably not all the principal ones. He knows that the counteracting forces may be so strong as to increase imports as against exports as was the case with the United States from February, 1934, to the peak before the business recession of 1937-1938 set in. He knows that no one can possibly summarize all the forces that will operate nor predict the net results after a nation devalues its money.

Just as one can of course point to an amputation of one's arm and say with accuracy that it is unfortunate, so can one also say with equal accuracy that it is unfortunate when a nation devalues its standard monetary unit, whether the necessary result of previous unfortunate policies and practices or the result of a mistaken notion that there is some valid excuse for devaluation when not necessary. But beyond recognition of the fact that devaluation is a misfortune, one cannot predict with any accuracy what the readjustments and final results will be.

Possible Post-Devaluation Conditions

Mention of a few possible post-devaluation conditions and responses may suffice to suggest why we cannot predict consequences accurately.

If a nation that devalues has "full employment," it probably can increase output and exports only by increasing costs.

It must export much more than would have been the case to balance the increased costs of imports; and it may set up restrictions on imports beyond the tariff wall erected by the act of devaluation. Restriction of imports may decrease exports.

The act of devaluation may be symptomatic of an irresponsible government; it may impair confidence in that government's respect for a fixed monetary unit; it may drive investment funds and bank deposits to other countries because of lack of confidence. If an intelligent government, which inspires confidence, devalues to make the best of a bad situation and reveals that thereafter a proper course will be pursued, the opposite results may appear. Gold and capital funds may flow in.

Confidence is a delicate element. The fact that we devalued in 1934 as we did apparently suggests to many people that we may do it again. Secretary Snyder is being forced to say over and over that he does not intend to propose another devaluation. Many suspect, fear, or hope for, another Cripps case of repeated denial, then sudden devaluation. There is considerable distrust of the future dollar price for gold. Some domestic and foreign holders of dollars are accumulating gold as a consequence of this distrust. Distrust in Europe and elsewhere, excepting perhaps Switzerland only, which is scheduled to institute redeemability on Jan. 1, 1950, is even more pronounced because of repeated alterations of monetary standards. Such distrust can create a multitude of problems and consequences.

After a nation devalues, insensitivity of demand to price reductions often reveals itself in respect to various commodities with the consequence that there is no increase in their exportation.

Prices of exportable goods may rise in the devaluing country and their costs to importers may fall in an endless variety of combinations. For example, as between England and the United States, the British devaluation of 30.5% may be divided by a British export to us rising in price 20% with the other 10% gain going to us. But some other country may give us a gain of 12% and we may shift part or all our demand to that country. In some instances, as in the case of chinaware, for which the supply apparently has been sold for months to come, sterling prices have been marked up more than dollar prices have been marked down.

Prices for which the demand is highly inelastic, as, for example, the demand for Scotch whiskey or British woolens, may rise by the amount of devaluation and not increase or decrease exports of those products.

Distortions of Internal Price Controls

Then there is the fact that internal price controls by governments are relatively great today. These take many forms and create distortions that are hardly predictable.

There are questions of having goods available for export, the factors of time in placing and executing orders and of producing the goods ordered; the increased costs of producing goods because of the higher prices for the imported raw materials that enter the fabricated products in various proportions.

It is immaterial whether one wishes to estimate the effects of devaluation on merchandise exports and imports or on the so-called invisible items that enter the balance of payments, or on international trade as a whole. The answer is the same; one cannot state with any accuracy what the net results will be. If, for example, one were to study as carefully as possible the probable effects of devaluation on each of the non-merchandise items, the fact would still be that the net of these estimates would be a crude guess which could not serve as a reliable guide as to what to expect.

The answer to all this is that all exporters and importers, through sales and purchasing agents, will have to do the best they can by shopping around for the best purchasers and sellers.

The recent devaluations create problems, of course, but the preceding artificially-maintained and subsidized currencies also created problems of which the recent devaluations are a consequence. Unfortunately, these devaluations were not the result of a prior testing of the values of the various currencies in free markets. A consequence is that a new set of artificial rates has been created out of which a new set of problems, associated with artificial rates, naturally arises. This points to still other adjustments to come because of this new set of artificialities and problems.

The basic fact of the matter is that we are dealing with crippled countries that have crippled and artificial currencies, and those facts should be faced. We cannot proceed intelligently otherwise.

Our Currency Should Be Made Redeemable

Our best efforts to proceed would be made easier, and the general situation would be improved greatly, if our government would make our currency redeemable so that our exporters and importers can go where they will and may with dollars that have the same value in the same market.

A redeemable currency would tend to force our government to relinquish its stifling controls and to give private enterprise a free hand in foreign trade and exchange. This should provide a great stimulus to both exports and imports and benefit both us and other nations.

That is the best single thing that our government could do to improve opportunities for trade in the face of the crippled, amputated, and weak currencies with which the people of those foreign countries must attempt to produce and carry on their trade.

Every devaluation of a currency brings new readjustments and problems. It is for this reason, in part, that it is unfortunate that we must face other devaluations abroad. For the United States to devalue, as urged by some, while the proper course for it is to institute redeemability, would be economic folly of the worst kind. Despite this fact, we have a persistent clamor for devaluation from gold mine interests. who would sacrifice the welfare of this nation to get tem-

porarily higher profits for themselves, and from others who apparently have learned nothing of value regarding the principles involved in currency devaluation. Bloated prices, arising from the poison of a depreciated currency, seem to be confused with real wealth and real purchasing power in the minds of many people.

Besides the fact that the recent artificial competitive devaluations will give rise to unpredictable consequences, there is the further fact that no one can possibly know what the effect of the devaluations will be on the so-called foreign trade or dollar gap. The common statement regarding that problem is that temporarily the gap is being closed by gifts made by us to Europe. It is supposed or hoped that in the near future the gap may be closed in part by loans and investments for an intermediate period, after which the answer presumably will be found in a high level of imports relative to our exports. With these basic considerations in mind, there appears to be no evidence, which one can produce, that would justify any assertion as to the probable effects of recent devaluations on the so-called trade or dollar gap. Apparently all that one can know is that he does not know.

But helpful steps can be taken, despite all the factors which we cannot understand, and they will point in the proper direction. For example, only when irredeemable currencies pass at their real value in international markets, and redeemable currencies flow freely across international boundary lines, with import and export controls abolished, can the way open up to the balancing of supply and demand and end such problems as the so-called "dollar gap." Government restrictions and controls need to give way to the free flow of goods and services, and prices need to be freely determined in the market place. Monetary systems need to be established on monetary standards that can support redeemable currencies if prices are to reflect real values and if production, trade, and investment are to expand. It is governments and their so-called management that have created the chaos in which the world finds itself; and there is little prospect that the problems in this chaos will be solved until governments return to their proper spheres of activity.

For 16 years, our currency has been redeemable in our statutory monetary unit for central banks and governments; but all other holders of non-gold dollars have been denied this privilege. One result has been multiple quotations for our non-gold dollars and a heavy penalizing of private enterprise.

There is no valid defense for this procedure. It has arisen, fundamentally, from the fact that our government like various foreign governments, has wished to take possession of the people's public purse and to free itself of control by the people as to how the people's money shall be used. Under our system of irredeemable currency, the government has complete control of the people's purse and it cannot be held or forced to an accounting.

Financial dictatorship by our government holds our people in its grip. Government lending and give-away institutions encroach upon and replace private enterprise. Government lending and give-away institutions dominate foreign trade and exchange.

Through exchange controls, government totalitarianism sits at the boundary lines of practically every nation, including our own, and thrusts its destructive and disturbing influence backward into the internal economy of every nation. Foreign traders have been brought to their knees; trade and exchange are hopelessly snarled by bureaucrats who seem to suppose that they can manage the forces of supply and demand and prices for millions of goods and services which no human mind could follow or comprehend. They seem to suppose that they can make better decisions than can the millions of buyers and sellers who risk their own money and who cannot afford to make mistakes. This is lunacy in government, and the world is paying a fearful price for tolerating these so-called planners who are busy ruining enterprisers and the economies of the world. The planners continue to ruin England and they are rapidly ruining the United States.

These things have been pointed out *ad nauseam* and with futile results. We cannot afford any longer in this country to be ineffective about these matters. We need to analyze why all statements of fundamental truths have fallen on deaf ears and why protests are futile.

The answer is that our people lost control over their public purse when their currency was made irredeemable and that, as a consequence, our government is now the people's boss, not their agent.

Let us look at the fact that foreign central banks and governments are in a different position. They are favored as against our people whose money our government uses without effective restraint. This is because our government cannot force our irredeemable currency on foreign central banks and governments except at a discount. So our government stands ready to pay them gold for any dollars they may hold. Therefore central banks and governments can exercise a control over our public purse denied to our own people. Foreign central banks and governments can reach down through the mountain of paper money and deposit slips in our public purse and take our gold reserve to the extent they have claims against it.

Suppose the notion s h o u l d spread that our government will devalue the dollar and foreign central banks and governments convert their dollars into gold for withdrawal. What a spectacle that would be! Our people would be compelled to sit helplessly by with their irredeemable paper money while the foreign central banks swept out all the gold against which they could exercise claims. That may not be done; but it can be done; and that is the nature of the monetary system under which we are attempting to operate. If any one is to be favored with the right to demand gold, it certainly should be our own people as against foreign central banks and governments.

Our government and foreign central banks and governments have a b s o l u t e control of our people's purse; and our people are helpless. When a government takes such power to itself and becomes the people's boss, the people and their nation can be ruined; and they usually are.

Now there is one peaceful way to end our pursuit of that course. It is to make the nation's currency redeemable and thus restore to the people their proper control over their purse. The alternative to that is to continue on to destruction and revolution.

That is our choice and we need to face it. All the speeches and articles about the need for economy and all the organizations dedicated to economy have been and are largely wasted effort. The government doesn't pay any attention to them; it doesn't have to since it has absolute control over the people's purse. No one can check it. The government can ladle out all the money it can lay its hands on to buy support, and it simply prints more m o n e y through the Federal Reserve Banks when it needs more. It has bought t h e farmers, organized labor, those seeking government employment and favors, and a multitude of others. It holds foreign support by providing dollars for our goods and giving foreign banks and governments the right to exercise their claims against our gold.

The great unsound forces in our domestic economy cannot be eliminated and foreign trade and exchange and investment cannot become healthy, in so far as we can contribute to these things, until our currency is made redeemable and the power of the purse is restored to the people where it belongs.

Revolutions have been fought by various peoples of the world to gain control of the public purse and to take it from dictators. We act as though those lessons are lost upon us. We do not quite face the fact that our government is a financial dictator. It is spending the people's money without revealing any worth-while sense of responsibility; it is throwing away their wealth and national patrimony as though obsessed and determined to destroy us; it is taxing our people into real poverty.

Our economy and private enterprise system are bending and are badly distorted under this load and abuse. There always comes a breaking point for a people in a case like this. Some additional act by the government snaps the last support of the public morale, and then the deluge comes. I was fearful, when I saw the President's recent demand for heavier taxes, that this, with the tactics of organized labor and the irresponsibility of our vote-buying majority of Congress, might be the final combination that will topple our economy and people into a terrible turmoil.

I fear we have run by practically all the red flags that our people have been able to wave. The big and last one, that the people ordinarily employ to bring such a mad government to a halt, is missing. It is the ability to demand redemption by a reckless government of its promises to pay.

All of us had best concentrate on getting that above all else. That is our people's last and only effective device for stopping our government in its spending and rush toward Socialism. Without that, there appears to be no real basis to justify hope that we may in some way escape the terrible disaster towards which we continue to rush under the leadership of an irresponsible government.

It is useless to talk about educating the general public to understand the urgent need for redeemability. They never understand these things. They tend to demand the very thing that will injure them. They are practically always, in nearly every country, for paper money and for more and more of it.

Leaders who understand and are willing to try to save their country need to band together and to take their Congressmen into private and deadly-earnest conferences. The Gold Standard League has been organized so that earnest and patriotic men and women can go to work and do the job that needs to be done. The League already has several state chairmen. Philip Le Boutillier, President of Best & Company, is the Chairman for the State of New York.

It is my judgment that if the United States is to be saved from the spenders and Socialists, it will be done by the fighters who will, by banding together and talking straight to every Congressman, force our government to institute a redeemable currency. The time has come for lining up and going to work. We cannot afford, these days, to waste time on the futilities of pious and useless platitudes.

Waddell & Reed Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Waddell & Reed, Inc., 1012 Baltimore Avenue, have added William G. Schacher to their staff.

The Favorable Outlook For Common Stocks

(Continued from page 4)

ing pay rolls and farm incomes, while living costs remain high. Our paternalistic Administration is well aware of it. But, today, it is no longer asking for price controls or similarly deflationary means to reduce the cost of living. Now it has become the question of increasing purchasing power.

Prosperity Regardless of Costs

Our economic policy is definitely c o m m i t t e d to maintain prosperity, regardless of means regardless of costs. Despite all denials, past and future, not even the price of $35 an ounce for gold is sacrosanct. Having spent more than $300 billion to win the war are we not justified, is it not our duty to spend "a few billion dollars" to assure continued peace and prosperity? This policy, this line of thought, has great mass appeal. It is assured of indefinite success at the polls. It is made possible by the seemingly harmless method of the deferred payment plan. We simply charge the cost and add to our debt. How long can we go on like that? Not indefinitely, to be sure, without completely wrecking our currency, but it certainly does not threaten immediate ruin. As long as ten years ago or longer, many people believed that the New Deal could not possibly continue with its deficit spending without causing a violent inflation. But they were pikers in those days by comparison with the Fair Deal which is building upon a debt structure six times larger than before the war.

We are in for an indefinite period of heavy deficit spending and gradual inflation under an Administration which is not overtly antagonistic to business, because it has learned that the cooperation of business is necessary to make the scheme work. It is in view of these conditions and prospects that I advise the investor to be fairly heavily committed in common stocks. For the long-term there is, in my opinion, less risk in the ownership of equities than in dollar obligations, such as cash, life insurance, government and high-grade corporate bonds, etc. The only hope to protect our funds against the creeping depreciation of the dollar lies in equities or similar investments.

The decision to invest in common stocks is made easier by the fact that good equities are not high in price. Despite the advance of the past four months they are still selling at conservative levels in relation to present and prospective earnings and dividend payments. Prices of most stocks are low also in relation to book values which almost in any case are far below replacement values. And there are still innumerable stocks of profitable corporations selling at less than the value of the net quick assets, w i t h the plant thrown in free. There may be setbacks in the market, no doubt, especially if prolonged strikes in the basic industries should disrupt our economy, but I believe that they will be merely reactions in a major bull market.

To Study Monopoly In Business and Government

Dean Edward S. Mason of the Harvard Graduate School of Public Administration announced that a group of Harvard and M.I.T. specialists in the fields of law, government, business and economics have begun a study of the monopoly problem in American business and government.

One of the main concerns of the study is to discover how much competition is attainable and under what arrangements it can be achieved.

The project is being financed by a grant of $10,000 from the Merrill Foundation for Advancement of Financial Knowledge. This Foundation is headed by Winthrop H. Smith, managing partner of the New York firm of Merrill Lynch, Pierce, Fenner and Beane.

The grant, Dean Mason said, will be used only for exploratory research and studies in the coming year. He added that a four or five year program is contemplated if the exploratory studies prove fruitful.

Specialists from several fields will participate in the project. Those already named are Dean Mason, Professors David F. Cavers and Robert R. Bowie of the Harvard Law School; Assistant Professor M. A. Adelman of the M.I.T. Economics Department; Professor Lincoln Gordon of the Harvard Business School, and Carl Kaysen, a Junior Fellow studying in the Economics Department at Harvard University. Others are expected to be added after the project gets under way.

"Focus of the study," Dean Mason explained, "is an attempt to devise standards of acceptable competition — or if unacceptable monopoly — as it applies both in the field of public policy and in the area of business practice."

He continued: "There exists a need for a broad-guage, systematic study of public and business policy in relation to competition in American industry. Such a study should seek to re-examine the relations between industry, broadly conceived as self-regulating through competition, and government, in order to assess the validity of this concept and examine possible changes in business practice and government action which could improve the workings of the whole system."

The exploratory studies of the coming year will consist of three parts. First of these is the preparation of a set of directions to be used in projected industry studies. A part of these directions will be a statement of important elements of market structure and business practices.

Secondly, five exploratory industry studies will be made. Industries to be explored have been selected from mining, manufacturing and distribution. Special emphasis will be placed on those goods and services traded in national or wide regional markets. The studies will be oriented towards answering questions on relations between market structure, business behavior and economic performance.

Thirdly, an analysis of the consent decrees handed down by the courts for the industries selected will be undertaken. The experts consider legal and administrative questions to be of co-ordinate importance with economic problems.

"Businessmen," Dean Mason said, "will find in the results of the study some guide lines to assist them in their constant tasks of formulating and carrying out industrial policies. Economists will find a definition of workable competition in terms of technical institutional structures of markets, the behavior of firms as conditioned by these structures, and the economic performance in terms of quality, price, technical progressiveness, profit margin, and output."

Federal Monetary and Credit Policies

(Continued from first page)
ternational currency. Policies which help the international status of the dollar will, in my opinion, also promote the domestic welfare of the country.

In this respect the situation now is far different from that existing, say at the time of the Civil War or of the bimetallic controversy of the 1890's. In both periods the dollar was essentially a local currency. The inflation of the Civil War and the tribulations of Cleveland with the gold standard were affairs of great domestic importance but of no great foreign significance. Now, however, the monetary and credit policies adopted by this country influence economic action throughout the entire world. Two world wars have shifted the balance of economic power to the United States.

Gold Policy

Of particular importance from an international point of view is the gold policy of the American Government. The dollar has taken the place of the pound sterling as the international currency of the world and serves as the basic currency in the International Monetary Fund. The quota of each member nation in the Fund and the par value of its monetary unit is stated in terms of the gold dollar.

Since gold, and in particular the gold dollar, underlies the Bretton Woods Agreement, it behooves us to take those measures which will promote confidence in and give strength and stability to our dollar. The first step in this direction is to reintroduce gold redemption and to make all of our paper money freely convertible into gold coin of the present weight and fineness.

At least three advantages would stem from the reintroduction of gold coin redemption. In the first place, the nations of the world would be given added assurance that we are not likely to devalue the dollar. Congress has, and of course, must have the constitutional right to change the price of gold. The existence of gold redemption and gold coin circulation would, however, constitute another hurdle to any such change by Congress. Gold coins would have to be withdrawn from circulation and the American people might well voice vigorous opposition to such action, familiar as they are with the implications and results of the gold policies of 1933 and 1934. In the second place, gold redemption would help to eliminate trading in gold at premium prices in various markets throughout the world. Premium prices result from the limited quantities of gold in those markets and, on occasion, from the expectation of an upward revision in the price of gold in the United States. A gold outflow of fairly modest proportions from this country would add to the available gold stocks and equate the price of gold throughout the world at $35 an ounce. This in itself would help to divert gold from black markets to the coffers of central banks and treasuries and thus would facilitate international trade and exchange. In the third place, gold redemption would permit the American people, if they so desired, to voice their disapproval of the monetary or fiscal policies of their government. An increase in domestic redemption might well be a sign that the American people were not in accord with government policies. The fear of an increase in domestic redemption might actually have some effect in deterring the Administration and Congress from embarking on reckless spending programs.

The present gold policy of the American Government is compounded of many inconsistencies and stands in need of change. We permit gold in the natural state to be sold at premium prices within the United States. We permit, or have permitted, the export of gold manufactures of such a character that they could readily be converted into gold bars abroad. Although we permit the free exportation of gold for monetary purposes to foreign governments and central banks, we do not, however, permit our own citizens to obtain gold freely at $35 an ounce.

The Reed Bill, introduced into the House of Representatives on March 7, 1949, restores the right of American citizens to own gold and gold coins and reintroduces the gold coin standard. It does this by providing for the repeal of the Gold Reserve Act of 1934, by causing the Secretary of the Treasury to mint and issue gold coins, and by directing that all other money of the United States shall be maintained on a parity with the gold dollar. This bill deserves your support as a first and essential step towards improving the status of the dollar as a national and international currency.

Interest Rate Policy

Many of those who oppose a return to gold redemption do so because they fear it will curb the cheap money policy which has been followed in this country for the past 14 years. The principal elements in the cheap money policy are: (1), a low level of long-term interest rates, and (2), a still lower level of short-term rates. This policy has received its principal support from the Treasury Department, which is primarily concerned with the problem of interest costs on the federal debt.

The cheap money policy received its initial impetus from the devaluation of the dollar in the early days of the Roosevelt Administration. The increase in the price of gold in 1933 and 1934 from $20.67 to $35 an ounce stimulated increases in the production of gold throughout the world and imports of gold into this country. It was, of course, not the sole cause of the gold inflow. Other factors were involved such as the currency and political difficulties of Western Europe. Even without an increase in price, a vast amount of gold would have come to this country in the period prior to our entrance into the war. However, if we had not raised the price of gold, increments to the gold stock would have been valued at $20.67 instead of at $35 an ounce.

The first effect of the prewar gold inflow was to increase the reserves of commercial banks, placing them in possession of a greater volume of loanable funds. In the absence of a loan demand, commercial banks placed their newly acquired funds in government securities, particularly in short-term obligations. The level of interest rates fell and short-term rates fell below long-term rates. The structure of interest rates thus became an ascending one.

A study of the structure of interest rates back to the beginning of the century reveals that an ascending curve, except for the period since 1932, is very unusual. Ordinarily short-term rates were either equal to or were above long-term rates. This is a point which needs particular emphasis because it is now generally assumed that short-term rates are normally and characteristically lower than long-term rates. The record actually shows the contrary to be the case. As viewed, therefore, against the experience of the past, the prewar cheap money policy of this country and continued adherence to this policy during and since the war has resulted in an artificial level and structure of interest rates.

The use of a sharply ascending interest rate curve to finance the deficits of the war period was a major mistake. It induced the Government to rely heavily on short-term obligations in financing its deficits. It provoked speculation in the public debt and, in general, led to a greater expansion in bank credit than would have occurred if short rates had been raised to higher levels during the war and if the interest curve were more nearly horizontal in shape.

The wartime mistake was compounded in the post-war period. Instead of abandoning the interest rate curve used during the war, the Treasury and the Federal Reserve System, following the conclusion of hostilities, decided to continue to use it. As time went on certain modifications occurred, but on the whole they were relatively minor in character.

The decision to maintain a relatively rigid interest rate curve on government obligations meant that the Federal Reserve System could not exercise any real control over its portfolio. Of necessity, the Federal Reserve Banks would have to purchase government securities in the amounts and maturities offered by the market. When decision is taken to peg a particular price, whether it be the price of government bonds or of potatoes, the agency doing the pegging, the Federal Reserve Banks or the Commodity Credit Corporation, must stand ready to absorb any surplus on the market.

A number of reasons were cited for the need to peg the prices of government obligations, but none carried conviction. It was alleged that a decline in the price of the long-term bonds below par would cause widespread encashment of the redemption obligations, engender lack of confidence in our financial institutions and plunge our economy into recession. Although these were the reasons most frequently mentioned, doubtless the compelling motive was to keep interest rates on the public debt at a low level. The government as borrower was in a position to influence the interest cost on money borrowed. Sound financial and fiscal policies were sacrificed to keep interest costs on the debt at the lowest possible figure. At the same time, however, the government failed to show similar concern towards other items of cost and total Federal expenditures have remained at an unprecedentedly high peace time level.

Since the beginning of the recession, November, 1948, the prices of government bonds, by reason of widespread demand, have risen above the pegs, and the Federal Reserve Banks have been relieved of the need of giving support to the market. This situation led the Open Market Committee of the Federal Reserve System to issue on June 28, 1949, a statement concerning future policy, which is couched in very ambiguous terms and is difficult to interpret. The first part declares that henceforth the policy of the Open Market Committee will be to direct purchases, sales and exchanges of government securities with primary regard to the general business and credit situation. Representing a paraphrase of Section 12A (c) of the Federal Reserve Act, this part of the statement, in effect, says that henceforth the Federal Reserve Sytem will be governed by the principles laid down in the Federal Reserve Act, implying that flexibility is to be permitted in future interest rate fluctuations.

This conclusion, however, is immediately weakened by the second part of the statement which declares that the policy of maintaining orderly conditions in the government securities market and the confidence of investors in government bonds will be continued. This declaration could be interpreted to mean that the Federal Reserve Banks will intervene in the market should the prices of government bonds at some future time threaten to break par. Far from conferring independence on the Federal Reserve System in the development of future policy, the statement of June 28 can be interpreted to mean all things to all people.

If we are to continue to foster private enterprise in commercial banking and to have money and capital markets freed of Treasury domination, we must abandon a pegged interest curve. Pegged interest rates are not compatible with free enterprise. We must abandon the fetish of par and be prepared to allow the prices of government bonds to fall below par. We must be prepared to allow the market to determine both the level and structure of interest rates. The Federal Reserve Banks must be permitted to exercise their own discretion as to the volume and maturity of the public debt which they purchase and sell. They must be free from Treasury control and be guided solely by those considerations which they feel are in the best interests of the country.

Needless to say the development of an independent spirit on the part of the Federal Reserve System depends not only upon the caliber of Federal Reserve officials, but also upon certain changes in law which will give support to, foster and bolster policies divorced from Treasury influence. These comprise not only a return to gold redemption, which itself constitutes a powerful weapon towards more conservative policies, but also an enlargement of the Open Market Committee to include representatives of all Federal Reserve Banks, the fixing of member bank reserve requirements by statute law, and the placing of a definite limit on the volume of Federal Reserve notes which may be collateraled by the public debt. The enlargement of the Open Market Committee to include a representative from each Federal Reserve Bank will give greater weight in the decisions of the Committee to the opinions of the regional banks, which themselves are probably more closely in touch with money market and banking developments than is the Federal Reserve Board. The fixing of member bank reserve requirements by statute is intended to eliminate discretionary control over these requirements by the Board of Governors of the Federal Reserve System. The raising or lowering of member bank reserve requirements is an awkward and clumsy instrument of central bank policy and should be supplanted by use of the rediscount rate and by changes in the open-market portfolio of the Reserve System. Placing a conservative limit on the amount of Federal Reserve notes to be issued against the public debt would itself act as a barrier to an unlimited support of the government securities market by the Federal Reserve Banks.

It must not be assumed that I am opposed to all intervention in the government securities market by the Federal Reserve Banks. In case of sudden sharp declines illustrated by that occurring in September, 1939, the Federal Reserve Banks would be justified in intervening in the market, purchasing limited amounts of government obligations for limited periods. It is wholly unjustifiable and contrary to good banking practice, however, for the Reserve Banks to stand ready to peg government obligations at any particular price.

Debt Management

Constructive public debt management represents the final step in the development of sound monetary and credit policies. Gold redemption, the abandonment of a pegged interest rate curve and sound policies of debt management fit into a general pattern. Each separately and all in combination will contribute to stable prosperity and strengthen the private enterprise system in banking and finance.

A long-run program of debt management concerns primarily the marketable debt, which constitutes about 61% of the total interest bearing debt. A constructive policy of debt management should keep three goals constantly in mind: (1) the reduction of the floating debt, (2) the better spacing and extension of debt maturities, and (3) the placing of the debt to the greatest extent possible with permanent investors.

Orthodox fiscal policy has always stressed the importance of reductions in the floating debt from wartime peak levels. The reasons for this emphasis are twofold. In the first place, floating debts are usually lodged with commercial banking systems and hence involve inflationary dangers for the community. In the second place, floating debts of large size may prove a serious embarrassment to public treasuries, should rates of interest rise. Attempts to avoid higher rates, however, by expanding the volume of credit give rise to the danger of inflation.

The floating debt, which is defined as all marketable government securities maturing within one year, now amounts to $58.8 billion. A floating debt of this size, which is far larger than that needed to satisfy the liquidity reqirements of investors, itself acts as a deterrent to the adoption of restrictive credit policies. Treasuries are reluctant to suffer the accompanying increase in interest rates and the larger the floating debt, the greater the reluctance. If we are to reestablish flexible money markets, essential in a free enterprise economy, the floating debt must be reduced, either through repayment or through refinancing into longer-term issues.

Closely related to the problem of the floating debt, is the need to space and to extend properly the maturities of the marketable debt. As of first call dates, maturities are relatively small in 1953, 1954 and 1958 and no issues are callable in 1957 and 1961. This suggests that the maturities of new issues should be placed in these five years and also in the period beyond 1967 which is devoid of any obligations reaching first call dates. As a possible program for the next few years it is suggested that the Treasury refinance a major part of the outstanding volume of Treasury bills and certificates and refinance other maturing debt by issuing obligations maturing in the years listed and also by issuing very long-term obligations with perhaps a 40-year maturity and a coupon higher than that prevailing on any obligation now outstanding.

Reduction of the floating debt and a better spacing of debt maturities must be accompanied by simultaneous reduction in the total debt. This country should continue to adhere to its historical policy of debt retirement following each major conflict. This policy of debt reduction has justified itself for it has preserved the credit of the government and has facilitated later borrowings in periods of emergency. Insofar as possible, debt

retirement should be made an integral part of budgetary planning.

A net reduction in debt means that budgetary revenues must exceed budgetary expenditures. A budgetary surplus results which can be applied to debt reduction, and in particular, to the floating debt. Such a surplus must be planned and budgeted in all years but those of severe depression. The fact that we are now experiencing a budgetary deficit instead of surplus at a time of relatively high level activity and high national income is a serious indictment of our management of the federal finances and calls for immediate rectification.

Although my remarks on public debt management have so far been confined to the marketable debt, I should like to make passing reference to non-marketable obligations. The non-marketable debt includes the redemption obligations, consisting mostly of savings bonds, and the special issues held in the various trust accounts. Redemption obligations, issued during the war to protect the investor against later possible capital loss, are not a good public debt instrument. On the one hand, they constitute a demand liability for the Treasury and, on the other, they tend to freeze the interest rate curve on marketable obligations. They tend to freeze the interest rate curve because Treasury officials fear that higher rates on marketable obligations will cause a heavy encashment of redemption obligations. In consequence of the weaknesses inherent in redemption obligations I would suggest that further issues of the Series F and G bonds be discontinued and that Series E bonds and Tax Savings Notes be issued only in response to normal demand. As far as possible the Treasury should endeavor to meet investors' demands for government obligations by issuing marketable securities.

In meeting investors' needs through the issuance of marketable debt the Treasury should also discontinue the issuance of restricted securities. During the war restrictions of ownership were imposed on various obligations in the effort to keep the longer securities out of the hands of the banks and thus to restrain the expansion of commercial bank credit. Restrictions placed on debt ownership have had the unfortunate result of promoting speculation in government obligations and uneconomic shifts in ownership. Once the interest rate curve is set free, compartmentalization of the debt will not be required to prevent commercial banks from purchasing longer maturities. Dictates of prudence will cause them to buy shorter maturities. In a free money market, the debt compartmentalizes itself.

Summary

Gold, interest rate and public debt policies all form the three legs of the triangle of federal monetary and credit policies. Gold redemption is necessary to give added assurance to foreign nations that we will not devalue the dollar, to eliminate premium prices on gold throughout the world and to permit the American people, if they so desire, to voice their disapproval of monetary or fiscal policies of the government. A return of flexibility in interest rates is necessary if the Reserve Banks are to be able to combat future inflations and to exercise any real degree of credit control. A constructive policy of debt management is a prerequisite for the adoption of sound monetary policies. The purpose of all such policies is to make the dollar the best possible domestic and international currency.

The State of Trade and Industry

(Continued from page 5)

tons of steel production. This week its effects were beginning to reach into every home, office and factory in the country, even threatening the success of America's cold war with the Soviet.

Nor will the consumers who have been shutting down right and left for lack of steel be able to start up as soon as the steel strike ends. Few, however, are completely out of steel, "The Iron Age" adds. They have run out of certain sizes, gages and types. Reopening will not hinge on rebuilding complete inventories but on replacing the short items to bring stocks into some sort of balance. Some will be able to start up in a week, many in two and a few may take longer.

The auto industry is producing cars right now on borrowed steel. If the steel strike ends today, auto plants would still have to shut down at some future date to build their steel inventories up to a proper operating level. Every day the strike continues will make an inventory comeback more difficult. As more and more companies are pulled down to the same low level, states this trade authority, the intensity of the rush to recover and the duration of the recovery period is going to be lengthened.

Steelmaking scrap prices are now beginning to feel the effects of a 90% cutback in consumer buying. As a consequence, "The Iron Age" steel scrap composite has dropped 92¢ a ton this week to $25.58 per gross ton. This is still well above the 1949 low of $19.33 a ton, set late in June.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 9.0% of capacity for the week beginning Oct. 24, 1949, a decline of 0.3 of a point from the preceding week.

This week's operating rate is equivalent to 166,000 tons of steel ingots and castings for the entire industry compared to 172,000 tons one week ago. A month ago the rate was 84.6% and production amounted to 1,559,600 tons; a year ago it stood at 98.9% and 1,782,600 tons, and for the average week in 1940, highest prewar year at 1,281,210 tons.

CARLOADINGS AFFECTED BY WIDESPREAD COAL AND STEEL STRIKES RECEDE FURTHER IN LATEST WEEK

Loadings of revenue freight for the week ended Oct. 15, 1949, which was affected by widespread strikes in the coal and steel industries totaled 583,913 cars, according to the Association of American Railroads. This was an increase of 9,685 cars, or 1.7% above the preceding week. It presented, however, a decrease of 329,044 cars, or 36% below the corresponding week in 1948, and a decrease of 370,236 cars, or 38.8% under the similar period in 1947.

Railroad officials expressed surprise over the 9,685-car increase in freight loadings in the week ended Oct. 15. They didn't expect them to be quite so high. They said, however, that loadings will probably remain about the same in all categories for the next two weeks, except for miscellaneous loadings, where the steel strike is expected to reduce movements of finished goods. Coal loadings will probably continue at their same low level, and rail men foresee little change in grain shipments for the remainder of the month.

ELECTRIC PRODUCTION CONTINUES UNDER 1948 LEVEL FOR THIRD WEEK

Electrical production for the third time since the week of Aug. 3, 1946 showed a decrease when compared with the corresponding period in 1948. The amount of electrical energy distributed by the electric light and power industry for the week ended Oct. 22 was estimated at 5,417,877,000 kwh., according to the Edison Electric Institute. This represented a decrease of 62,858,000 kwh. under the preceding week, 121,008,000 kwh. lower than the figure reported for the week ended Oct. 23, 1948, but 454,061,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTO PRODUCTION STEADY THE PAST WEEK

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada held steady and amounted to an estimated 145,132 units compared with 146,566 units (revised) in the previous period.

"A bleak Christmas faces the automotive worker, as steel stockpiles melt below the danger point," Ward's reported. "Even with settlement of the steel and coal strikes next week, industry-wide shutdowns could be expected until production lines are re-stocked."

Ward's stated that Chevrolet is expected to be the first General Motors passenger car section to be cut back on account of the steel strike.

The total output for the current week was made up of 119,660 cars and 18,072 trucks built in the U. S. and 5,192 cars and 2,208 trucks in Canada.

BUSINESS FAILURES ADVANCE ABOVE LIKE WEEKS OF 1948-47

Commercial and industrial failures increased to 181 in the week ended Oct. 20 from 172 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were considerably more numerous than in the comparable weeks of 1948 and 1947 when 124 and 75 concerns failed respectively. Despite this rise, failures continued well below the prewar level of 277 in the similar week of 1939.

Wholesaling and construction accounted principally for the week's increase, while manufacturing casualties were almost unchanged. Declines were the rule in retail trade and commercial services. All industry and trade groups, except commercial services, had more failures than a year ago with the most noticeable rise occurring in construction which had more than twice as many failures as a year ago.

The Middle Atlantic States reported an increase in casualties in the previous week. This increase offset the declines which occurred in the four other regions during the week. All areas except New England reported more failures than last year; the increase from 1948 was sharpest in the Middle Atlantic, East North Central and South Atlantic States.

FOOD PRICES INDEX SHOWS FIRMER TREND IN LATEST WEEK

Although movements were mixed, there was a firmer trend in some leading food items the past week which outweighed continued easiness in others and the Dun & Bradstreet wholesale food price index for Oct. 18 rose slightly to $5.58, from the three-year low of $5.57 recorded a week earlier. The current level represents a drop of 13.9% from the $6.48 of a year ago.

WHOLESALE COMMODITY PRICE INDEX AFFECTED BY CONTINUED EASINESS IN FARM COMMODITIES

The Dun & Bradstreet daily wholesale commodity price index moved slightly lower the past week as a result of continued easiness in farm commodities. The index finished at 241.71 on Oct. 18, as compared with 241.94 a week earlier, and with 274.13 on the corresponding date a year ago.

Grain markets continued to be unsettled and prices worked steadily lower during the week, reflecting continued uncertainty over farm price legislation and the expanding movement of new crops.

The decline was especially pronounced in the cash corn market, where demand from elevator interests fell off sharply in the face of an increased movement of both old and new corn.

... on hard wheat bakery flours were quite active last week, but new bookings continued at a slow pace.

Hog values sank to new low ground since OPA controls were lifted in October, 1946, influenced by the continued heavy Fall run of live hogs to Western markets.

On the other hand, choice fed steers advanced to new highs for the year as receipts again fell below trade requirements. Lard prices held quite steady, aided by liberal hedging against sales to the government.

Coffee and cocoa prices continued to rise, due largely to unfavorable crop news from producing areas.

Cotton prices continued to move in a narrow range with final quotations down slightly from those of a week ago. Following some liquidation resulting from the larger-than-expected government crop forecast issued recently, the market showed a steadier tone, aided by moderate mill buying and hedging against sales of cotton goods.

Another supporting factor was the fact that daily domestic consumption of the staple appeared to be holding up well.

September consumption, according to a preliminary estimate by the New York Cotton Exchange, totaled about 695,000 bales, as against 664,000 during August and 739,000 in September last year. The September consumption was equal to approximately 32,000 bales per working day. This indicated a better than seasonal gain over the daily average for August of 28,900 bales, and compared with 34,000 in September, 1948.

RETAIL AND WHOLESALE TRADE HOLDS SOMEWHAT UNDER VOLUME OF YEAR AGO.

There was a moderate dip in total retail sales in the period ended on Wednesday of last week with consumer spending somewhat below that of the corresponding week a year ago, according to Dun & Bradstreet, Inc., in its review of trade. Noticeable declines in the buying of luxury items in some industrial areas were partially offset by an increased consumer response to numerous Fall promotions in other localities.

Retail apparel volume last week was moderately below that of the preceding week.

There continued to be a substantial demand for Fall apparel, but the seasonal interest in Winter merchandising was somewhat hampered by unusually warm weather in many parts of the country.

The demand for women's wear declined more than the demand for men's suits and coats.

Consumers bought slightly less food the past week than in the previous week. The demand for canned food, especially fruit, remained steady at a high level. Interest in fresh vegetables and dairy products declined moderately. The purchasing of meat, especially the less expensive cuts, was sustained close to the high level of a week ago. There was a noticeable rise in the retail dollar volume of coffee and cocoa.

Retailers sold about the same volume of home furnishings as last week; total sales this week were slightly below the level for the similar period a year ago. Television equipment and housewares were large selling items. The interest in bedroom furniture rose appreciably following numerous promotions.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 8 to 12% below last year's level. Regional estimates varied from the levels of a year ago by the following percentages:

New England and Pacific Coast —4 to —8; East and Midwest —10 to —14; South —6 to —10; Northwest —3 to —7; and Southwest —8 to —12.

Wholesale order volume continued to rise in the week, but at a slackened pace in comparison with recent weeks. The dollar volume of wholesale commitments remained moderately below the high level of a year ago.

Reflecting faltering retail sales in some areas, wholesale apparel orders leveled off last week with some cancellations reported.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Oct. 15, 1949, decreased by 13% from the like period of last year. In the preceding week a decrease of 11% (revised) was registered below the like week of 1948. For the four weeks ended Oct. 15, 1949, sales registered a decrease of 10% from the corresponding period a year ago and for the year to date a decline of 6%.

Retail trade in New York last week showed little improvement from the like period a year ago due to high temperatures, which were not conducive to the sale of seasonal goods.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Oct. 15, 1949, decreased by 18% from the same period last year. In the preceding week a decrease of 11% was registered below the similar week of 1948. For the four weeks ended Oct. 15, 1949, a decrease of 12% was reported under that of last year. For the year to date volume decreased by 8%.

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NOTE—On another page of this issue the reader will find the most comprehensive coverage of business and industrial statistics showing the latest week, previous week, latest month, previous year, etc., comparisons for determining the week-to-week trends of conditions, by referring to "Indications of Current Business Activity," a regular feature in every Thursday's issue of the "Chronicle."

Must Meet Socialist Trend Head On!

(Continued from page 13)

supplies to consumers and to make recommendations.

The report was presented to Parliament by the Minister of Fuel and Power in December, 1945.

The report makes very interesting reading. About two-thirds of the gas supplied was in the hands of companies and one-third in municipal hands. The committee quotes with approval an earlier report recommending, of all things, integration through holding company control. I insist that I am merely quoting a report of His Majesty's Ministry of Fuel and Power. The reason given was that, and I quote, "A parent company, having control over a number of companies, including, if possible, at least one well-established statutory gas undertaking to act as a nucleus to the organization, seems to us obviously better able to raise capital on advantageous terms than a purely local undertaking whose shares offer no particular attraction on the money market outside its own locality." Elsewhere, the report mentions the fact that Parliament had imposed on companies—I quote — "a number of controls which . . . have had the effect of inhibiting development."

What happened? As a result of the report and the Labor Government's program, the industry was nationalized. The investors, to be sure, were paid in bonds, which have since depreciated sharply and, in many instances, the basis of establishing the value was challenged because security prices reflected the uncertainties of the situation. In fact, the bonds received in exchange for railroad and electric securities have also fallen in price. One of the reasons was the fact that, since investors obtained a much smaller return than they formerly received, they sold their government securities. I cite this experience for two reasons:

(1) It shows the inevitable tendency, unless checked by public opinion, toward over-centralization. Having hampered the industry in the first instance, the remedy recommended was complete elimination of private ownership.

(2) The welfare state leads to roads far from the plan made on national blueprints.

I daresay that it was intended to deal with investors fairly, but the government did not admit the injury of a steep cut in income and emphasized the maintenance of capital values. But capital values melted away as the flood of new government issues succeeded one another and investors liquidated in an attempt to improve their income. The damage done cannot be undone. The eggs cannot be unscrambled.

I, for one, cannot imagine Clement Attlee or Sir Stafford Cripps in the role of continental dictators. I believe they are sincere men with good intentions. The false logic of their premises simply has the most illogical consequences. An industry is behind in equipment, is clogged with agreements that stifle competition, a labor union philosophy which is more restrictive, and a tax system which admittedly deadens initiative—and the recommendation is further nationalization! After admitting that a new environment was necessary to promote investment, the Labor Government came up with an increase in taxes on business earnings. The engine of state does not seem to be able to reverse itself.

Your industry seems to be free for the time being of the threats of general municipal or public ownership. Several municipalities which own their transit facilities are none too happy. The public has learned that acquisition of public services by cities or public agencies does not work miracles in improved service or end the truth of simple arithmetic in respect of operating costs and receipts.

Must Meet Socialistic Trend Head-on

We are not free from the dangers illustrated by British developments. The trend toward socialization has to be met head-on to be resisted successfully. Otherwise it is quickly found that, having taken the first step, the second, the third and so on down the line are inevitable. There is more than one road to the lack of well-being in the welfare state.

Expansion of RFC

Having served as a member of the Board or as Chairman of the Reconstruction Finance Corporation for a period of eight years, I have a certain affection for the institution and concern for its reputation. What I say is in no way personal. The evolution of RFC, its request for additional authority and recent policy regarding business loans makes me wonder at the complacency of business.

You will recall that the President, in his Mid-year Economic Report, recommended the enactment of legislation to extend the maximum time limit now fixed by law on the maturity of loans to business made by the RFC to permit the Corporation to extend financial assistance to business enterprises which are economically sound but which require long periods of time to develop and produce earnings that will permit amortization of debt. Pursuant to this recommendation, it is proposed, in a bill now pending, to increase the limitation on all business loans, including loans to railroads and loans under the Housing Act, loans to the Federal National Mortgage Association, public-project and catastrophe loans, from $2,500,000,000 to $5,000,000,000. There are $1,100,00,000 of loans made prior to June 30, 1947, which are excluded from the present limitation so that the bill would double the lending capacity of the Corporation.

I want to center my remarks on the business loans and I prefer to deal with questions of principle, not particular loans. The development of business-lending activity of RFC, as pointed out by the Hoover Commission, shows a gradual relaxation of standards. Created in January, 1932, its first authority to make direct business loans was enacted into law in June, 1934. Business loans were permitted to be made directly only if all of the seven conditions were met. These conditions related to the security for the loan, size, maturity and, among other things, provided the borrower must be established, solvent and must have been unable to obtain credit from ordinary sources at prevailing rates.

I do not intend to tire you with the details of the Corporation's expansion, which began less than six months after the first authorization. The $500,000 limitation was eliminated and the maturity limitation was extended to ten years, later to be removed entirely. Now, in the mid-thirties the economic machine was still stalled and there was some excuse for legislation of an emergency character. The emergency has become only a memory. Yet, in 1947, a change was made with respect to the requirement that credit not be available to RFC borrowers when it could be obtained from ordinary sources at prevailing rates. The Corporation was empowered to make loans to any borrower who could not obtain credit from other sources on "reasonable terms," which is embodied in the present law. The present Act, in its preamble, directs the RFC "to encourage small business." The Hoover Commission paid tribute to the useful and necessary function of RFC in the days of the depression, yet recommended that the Corporation be placed in liquidation at the earliest convenient date.

I am fully aware of the plight of small and medium size business, but I do not believe their capital problem should be solved by a government corporation. More recently the defense of extending RFC's activities has shifted from a basis that relates to the needs of small and medium size business to a basis that attempts to justify the making of loans vaguely defined as in the national interest and for the purpose of maintaining employment in a locality threatened with unemployment by the impending failure of a business enterprise. The prospects of loans of this character led Senator J. W. Fulbright of Arkansas, a Democrat and Chairman of the Senate Subcommittee of the Committee on Banking and Currency, which held hearings on RFC a few months ago, to comment in evident alarm, and I quote:

"To me it is completely wrong when we have a relatively high period of prosperity for you (RFC) to enter a specific position of preventing local failures and local unemployment, because the best time for the readjustment of a failing business is under those conditions. These people can get employment other places, but you keep these businesses alive until they get into a real depression, and then they have to fold it they are weak, which they probably were. Then you have added fuel to the fire." And I continue to quote:

"Here is a national agency set up by the Federal Government, financed by the taxpayers' money from all of the country. Now, say that by public interest is meant a little community of three to four thousand people, there is simply no limit to their duty to interfere with what I call the normal function of a private enterprise system. Otherwise, you are going to be justified in going into every situation, which I think is close to being socialism, if you want to use that terrible word. I mean the government is taking over and bailing out and freezing the free play of a free-enterprise system."

Must Solve Problem of Venture Capital

I would not be misunderstood. For a long time I have been talking about a shortage of venture or ownership capital. The way to solve the problem is through changes in the Federal tax structure, not through a government lending corporation. I have not commented on the Hoover Committee recommendation that the Federal Reserve Banks be authorized to guarantee loans to business enterprises made by financial institutions. I indorse this proposal. I indorse it for what it is worth as a constructive measure, but of limited value as a means of supplying enterprise funds. Borrowed funds are one thing, ownership capital another.

The soundest, most effective way to move more money into equities is by removing the obstructions from the Federal Government's tax structure. These is no dearth of savings and, now that fears of a tailspin in business are subsiding, I, for one, do not believe American investors are indefinitely committed to sheltered investments.

In reading the advance summary of the Association's report on the public utility industry's expansion program, I noted with great interest this observation, and I quote: "While a fairly good demand for bonds existed in recent years, the market for equity securities has not been encouraging. The result was a substantial decline in the percentage of new common stock issues in relation to new debt issues."

I think it was just a little over a year ago that the then Chairman of the Securities and Exchange Commission, at your annual convention, also commented on the fact that the bulk of new financing in the gas industry had been accomplished through the issuance of senior securities.

Your report goes on to say, and I again quote: "This lack of balance between debt and equity financing has caused considerable concern not only to management but also to regulatory authorities. It has been due partly to an apathy on the part of individual investors, induced partly by their impression that earnings are too low or too uncertain, and to limitations on the investment of institutional funds." End of quotation. I would add emphatically that the fundamental cause of the imbalance between debt and equity financing is taxes. Your committee probably took it for granted that this is so fully understood that repetition is unnecessary. I should have liked to see taxes included whether their influence was discussed at length or not.

Continuing to make changes in interest rates on borrowed money or adding to the government's lending activities, or creating public authorities will never produce the results so desperately wanted. The way to release energy and inject a dynamic quality into investing is by the kind of alterations in the tax structure that were set out in a study, "Jobs and Taxes," which the Stock Exchange recently published.

Let me repeat what I said last June at the general management conference of the American Management Association.

"Squeezed between institutional changes of a deep nature and a hostile tax structure, ownership savings urgently need realistic treatment. When farmers were injured by forces of a general character in relation to the conditions affecting the rest of the country, farm parity was devised to correct the situation; when legislation lagged behind economic forces and labor was at a disadvantage, labor was granted the equivalent of parity treatment. Ownership, which lies at the base of the whole economic structure, is threatened. The situation must be corrected. What I am striving for, in effect, is merely fair treatment for ownership in so far as the extraordinary fiscal situation will permit. Fortunately, strategic changes can be made that will help activate stagnant pools of existing funds and energize current savings. But these changes cannot wait. . . ."

Equity for equity capital is the slogan in this venture capital campaign. I ask that you join with me in the interest of the nation's continued well-being.

Government, Business and Labor Must Work for Common Good

(Continued from page 8)

cally venturesome re-examination of their practices of accounting and their theories of price making.

I am uneasy when I see farmers demanding stimulative prices whilst government accumulates gigantic surplus holdings, pays subsidies out of federal deficits, and imposes production allotments and marketing quotas.

I am not happy either when I see government slipping back into deficits as a way of life in a period when production and employment are high, instead of putting its fiscal house in order and husbanding reserves to support the economy if less prosperous times overtake us.

In sum, if we are to maintain the march of economic progress, we must, individually and as groups, in private business and in politics, display industry, prudence, and self-discipline, recognize that we can't get more out of the economic system than we put in, that collective bargaining in good faith and on solid facts is the road to a workable distribution of total product, and that monetary and fiscal tricks have no power of magic but are a slippery road to misery.

Expresses Faith in Private and Public Agencies And Opposes Theory of Perpetual Boom

In a panel discussion of the topic "Can Business and Government Get Together to Maintain Prosperity," held by the Associate Membership of the New School for Social Research in New York City, Friday, Oct. 21, Dr. Nourse stated his confidence in "Flexibility" rather than in the rigidities of planning.

"Let us look at the last two words of the question, the words which define the objective. Does 'maintain' [prosperity] mean assure by formal and effective controls?" said the Economic Chief, "or does it mean that prosperity would flow as the natural result of properly designed institutions and intelligent and self-disciplined practices? Personally, I place my confidence in the flexible second method rather than in the rigidities of implemented planning. The Employment Act of 1946 is devoted to the goal of sustained high production and the abundant consumption that goes with it. But this does not imply maintaining prosperity at a sustained peak level. Rather, it means developing "know-how" to safeguard it against serious lapses into depression and waste of productive power."

"This largely defines my concept of prosperity," Dr. Nourse continued. "I take it in the practical sense that we hope to maintain high production through the complementary action of private and public agencies of business. It means non-depression and anti-waste through idle plant and jobless workers, not a perpetual boom or chronic inflation.

"To summarize, I believe it is entirely within the range of technical possibilities for private business agencies and government agencies so to conduct their mutually related activities that we may have sustained high levels of production and, hence, of consumption. I do not think this prosperity could, in a dynamic world, be kept to any unvarying theoretical maximum—a perpetual sprint. But I believe the weakening excesses of booms and the wasteful paralysis of depressions can be reduced to moderate readjustment ups and downs."

With J. R. Williston

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The Railroad Picture

(Continued from page 11)

ironically, a good portion of the railroads' tax money goes to build and maintain the highways.

The fact remains that the total taxes paid by the truck industry, which is their sole cost for use of right-of-way, averages about 5% of gross revenue. The maintenance cost of rights-of-way, plus taxes, on the railroads ranges from 18% to 22% of gross revenue, and this does not take into account their original investment in right-of-way.

You and I, as individuals, and our companies, pay taxes as a contribution to good government, good schools, and good public properties. Beyond that, we expect no other return. The trucks, airlines and waterways pay taxes in return for which they expect and demand the use of vast, expensive public-owned facilities with which to do business in competition with the railroads. Anyway you look at this picture, the railroads are placed in an unfair disadvantage in their effort to operate their plant as a self-sustaining, free enterprise.

I wonder what your reaction would be if a benevolent government would come along and build a big, modern lumber yard across the street from your place of business, and then permit an operator to occupy this yard for a token fee, with no real estate taxes to pay, to do business in competition with you. At the same time the government would fix your prices and regulate your operations, while the operator across the street was left free to do business as he chooses — and he could undersell you because he had a very low operating expense. I think you would have every right to raise your voice in protest—and yet, gentlemen, that is an apt illustration of the situation the railroads are in today, with fine highways, magnificent airports, and waterway channels built and paid for by the taxpayers and made available at little cost to our competitors.

Danger of Government Ownership

One thing is certain — if and when the railroads are unable to function as private enterprises, the government will take over their operations. If that happens, the trucking industry, and other forms of transportation, will soon follow. And the cost of all transportation would go up immediately, because government operation would be inefficient, and you and other business men would have to assume the huge tax bill now paid by the railroads — the government pays no taxes.

If present policies and strait-jacket regulations are continued, the railroads are headed directly for government ownership, which would be a first step toward socialism in this country. Railroad management cannot alone stave off this tragic end, and there is vital need today for a public awakening to the dangers that beset the railroad industry. We must see a greater public appreciation of the value of the railroads to the economic health of the nation, for it is the public, in the last analysis, who must determine if the railroads are to be permitted to function as private and thriving enterprises. From the public must come the relief that is necessary to assure a healthy railroad industry.

Relief Must Come from Equitable Laws

This relief must come in the form of equitable laws which will place the railroads on an equal footing with competing agencies of transportation. Railroad management, too, must be given prerogatives to exercise judgment in the operation of their properties, now denied to them to a great extent because of strict governmental regulations. There must be a flexibility in the matter of rates and other operating practices, as there is in other industries, so the railroads may quickly make adjustments to meet changing conditions and competitive situations.

I believe every shipper of freight—every business and civic leader—must determine to his own satisfaction whether or not he feels that the railroads, as private, self-sustaining enterprises, are a valuable asset to the economic health and well-being of the nation. If he is convinced of that fact, then he must, for his own good and eventual profit, support the industry.

By using transportation service that could not be economically justified on a self-sustaining basis, a shipper is not only adding to his own tax burden, but he is withholding the support needed by the railroads to effect economics in operation which would eventually permit them to lower freight charges.

The railroads are designed to handle volume traffic, and a greatly increased traffic load can be carried without appreciably increasing operating costs. An increased traffic load on the railroads today would provide the quickest means for lowering freight charges.

An encouraging sign on the horizon is the trend that can be noticed that the public is becoming aware of the critical situation confronting the railroads. Recognition is being given this subject editorially by the metropolitan press, by economists and writers, and by Federal and state government officials. Congress and the President of the United States have instituted studies of the transportation situation. It is to be hoped that the public attitude and the result of these studies will bring about adjustments in transportation policies that will place the railroads on a fair and equitable basis in the transportation picture.

Railroads Have Made Progress

Notwithstanding present-day handicaps, the railroad industry has made notable progress in the practice of operating efficiency and in the adoption of technological improvements. These are evidenced in the improved operating efficiency, faster schedules, new and modern equipment and the adoption of diesel power. We on the Katy Railroad have great faith in the future of Texas, and we are adding to our fleet of diesel locomotives, and otherwise improving our properties and rolling stock, as fast as our earnings will permit. There are, however, possibilities for many additional improvements, through the acquisition of more and better equipment and facilities. Most of these require substantial capital investment, and progress in this respect is restricted because of low earnings and the hesitancy of venture capital to invest in railroad securities.

I told you that I felt the railroad industry had a bright future. I do sincerely believe this, and I am especially optimistic regarding the Katy Railroad.

I say this because I believe that the American principles of fair play will eventually prevail, and because I have confidence in the abilities and ingenuity of railroad management and railroad workers. So far as the Katy Railroad is concerned, we are indeed fortunate that we serve this rich corridor of the Great Southwest, wherein I believe lies the brightest prospects for continued industrial and agricultural growth. We want only the opportunity to grow with you, and to be able to keep our plant and equipment in modern condition so as to give you the most efficient and the most economical rail transportation service that can be produced. The Katy's more than 10,000 employees want to be good, responsible citizens of the Southwest, and they want to continue to work with you and for you for our mutual benefit.

That, gentlemen, is the story I came here to tell you. As I said at the beginning of my remarks —I hope you will find yourself in some agreement with these views, and I hope I have given you some enlightenment on my subject. At least, if I have given you some food for thought on a subject which I feel has a vital bearing on your own welfare; on the welfare of the railroads, and on the welfare of our nation, I shall be content.

Devaluation and Prices

(Continued from page 15)

my country was about as desperate as it has recently been in England. And President Roosevelt crossed up our representatives who were attending a World Economic Conference in London by announcing that, "The United States seeks the kind of dollar which, a generation hence, will have the same purchasing power and the same debt-paying power as the dollar value we hope to attain in the near future." In other words, we set out in 1933 to adjust the value of the dollar. We plunked for economic planning and currency management.

Well we are nearing the "generation hence"; so, we have an opportunity now to take a look at the record. In order to manage the value of the dollar, it necessarily had to be cut loose from any standard that would limit such activities and operations. Gold was that standard; it was valued at $20.67 per ounce, and every dollar was backed by a definite number of grains of gold.

Out of the window went that restrictive standard on the value of the dollar—and with it, went the limitations on government borrowing, government spending, and government debt.

Substituting Fuzzy Theory for Tested Policy

I won't attempt to explain in simple language the gold standard for money and its operations. I will pass on to something easy —which is, that no one can explain the procedure for managing currency values without any standard, because that substitutes a fuzzy theory for a tested policy, and it must be played by ear as conditions develop, instead of following a definite program.

Gold, as a standard for measuring currency values was not a fuzzy theory; it was simply a recognition of the fact that gold was best for the purpose—ornamental and easily worked it was relatively scarce, practically indestructible, and it has a weight-to-bulk ratio that makes it easy to store or hoard.

Of even greater importance is the general acceptance of gold as the most precious metal, from the time of the Pharaohs to present-day "gold-diggers," making it both by specification and by usage the best medium of exchange. But being soft, gold coin lost weight when continuously handled. So, governments took it in and issued certificates of deposit, representing so much gold. Those certificates were convertible into gold on demand, making them gold-backed currency certificates, which we call money.

If a dollar would get you 15 grains of gold, and if a pound would get you 60 grains of gold, a pound (£) was freely exchanged or converted, anywhere in the world and the rate was 4-for-one in dollars.

We kicked that system out of the window in 1933, and made all currency and coin issued by the government legal tender. We made it illegal to own gold.

We increased the price of gold, too—from $20.67 an ounce to $35 an ounce—and we reduced the gold weight of the dollar about 40%, giving the United States Treasury a neat profit of almost $3 billion.

As I say, we got into the game early, and our alchemists and soothsayers thought they had found that ancient dream of something-for-nothing — presto, brass becomes gold! Bingo, $3 billion out of thin air!

But remember, the objective of that Currency Management operation we kicked off in 1933 was to give the Dollar—Old E. Pluribus Simolcon — the same purchasing power and the same debt-paying power a generation hence—that is now.

The Dollar Purchasing Power Decline

Fortunately we have an index to measure that statistically, the old Irving Fisher Index, of the purchasing power of the dollar in wholesale commodity markets. It uses 1926 as par, and it has been published in our "Bulletin," so we have the complete range of the purchasing power of the dollar published in our "Bulletin" for over 20 years.

In March 1933 that index was 178. As you know that was in the depth of our serious depression; we were very much demoralized and commodity prices were lower than the basement. So that the purchasing power was 178.

On Oct. 11, 1933, however, when things had recovered somewhat, the purchasing power of the dollar was 141. In October 1939 and 1940 it was 120. Now we find that index at 62, about half of the 1939 and 1940 figure. In fact, the 1935-1939 average for that index was 119.4, practically 120, and that period is now very generally used as par for index purposes in our country.

If you purchased a U. S. bond in 1939 for $75, and held it to maturity, it paid you $100 this year, or 2½% a year on your investment—that is our standard government savings bond rate. So, go out and try to spend that hundred dollars, and you will find it buys about 60 dollars worth of goods. So you have actually lost 1½% a year in purchasing power on the 10-year loan to the government.

Another practical illustration. In 1936, we passed a Social Security Act, and this month we are increasing the Benefit Allowances from 70 to 80% to cover the loss in the purchasing power of the dollar in one generation.

Now don't get me wrong. I am not blaming President Roosevelt or any of our political leaders for any loss in purchasing power, caused by War-Boom Inflation. My point is that our economic technicians have completely failed in their attempt, just as other alchemists and soothsayers did. We have probably had the most uncertain and most unstable conditions in the history of the world, and in my estimation we are heading into more of the same, and our eventual hope for salvation lies in a return to a fixed permanent standard currency value as a medium of exchange.

How can International Trade expand when we must buy and sell at price in effect at time of delivery, payable in currency values in effect at that time? The dollar is now the currency standard of the world, and it has no fixed standard value. It is like that girl that went nowhere without a chaperone, but she had a chaperone that would go anywhere.

Who can foresee or forecast conditions accurately? Can our experts see what is coming and plan for it? Did they at Teheran, Potsdam, or Yalta, or at any of the Economic or Monetary Conferences? As the "London Economist" says, "They are too expert to have common sense enough to know that no one can be so expert."

What Devaluation Has Done

In fact, devaluation has only reduced prices of products and commodities in international trade which competition Supply-Demand compel the supplier to reduce. It has compelled split prices —one for domestic use, one for export. The export price is fixed by competition or currency exchange value, whichever is higher or lower, and neither the buyer or seller, as we know them, controls the exchange rate. The governments do that.

Gold has a value of $35 an ounce in the U. S. A. Africa wanted us to raise it, and our Treasury refused to do so. Africa can now sell gold to us at $35 an ounce, and spend those dollars in England at $2.80 for the pound instead of $4.03. So if Africa does business for England with those dollars, the devaluation of British currency gives them 30% more for their gold for purchases in British markets, where will Africa buy?

England revalued currency, but she has not changed the extravagant policies, the obligations, the wasteful and inefficient practices which compelled the revaluation of the pound (£). So nothing has been cured or corrected.

International trade cannot become stabilized until we get a fixed convertible medium of exchange, so prices can be figured by arithmetic, and are not subject to management, abuse, or mistakes by our alchemists and soothsayers throughout the world. Perhaps the financial crisis, which has only been postponed, will bring a realization of that fact, and an honest attempt to meet it. Let's hope.

In 1924, just 25 years ago, a fellow by the name of Lenin wrote that some day we shall force the United States to spend itself into destruction, and it looks like that is Russia's secret weapon, perhaps more dangerous than war and more effective than the atomic bomb. Certainly England is on the ropes from spending for war and for welfare. Perhaps we should doublecheck our hand, and insist on a straight deal with an honest deck.

President Truman says the United States must purchase materials from the countries that can produce them economically, to give them the dollars to purchase from us, and that is a sound policy and objective—a Free Exchange of trade would allow supply and demand to determine prices. But we cannot have a free international exchange of trade without a freely exchangeable medium to handle it with, and that is not in sight, and foreign trade exchanged freely is not in sight.

Let's not kid ourselves. When dealing internationally, you must figure two prices — the price of the goods, and the price of the money. In my estimation it's that simple!

John F. Burns in Albany

ALBANY, N. Y.—John F. Burns has opened offices at 74 Brookline Avenue, to engage in the investment business. Mr. Burns has recently been with Corporate Leaders of America and prior thereto was in business for himself.

When Stockholders Weigh Their Banks

(Continued from page 10)

sampling many important banks have necessarily been omitted.

We do know that in a great many banks there are large and varying amounts of additional values which could be added to this net worth, increasing their book values per share correspondingly. Not all banks show their reserves for contingencies on the Call Report. We may cite such reserves or valuation allowances which banks have applied to reduce the statement value of their investment portfolios. Further, the appreciation in the market value of investments over amortized cost is frequently an important factor. Then again, many banks have accumulated reserves for possible loan losses, and these amounts, too, are usually deducted as valuation reserves from loan totals. Also, banks have possible write-off values and potential recoveries on bad debts and other charged-off assets.

Of importance but often neglected by analysts and appraisers of banks, is the investment which banks have made and must make in real estate, improvements and betterments, fixed assets and operating equipment necessary for the continuous and efficient conduct of their daily business. These items in a great many banks have already been written off as assets or are being charged off at a rate far more rapid than is allowed for normal depreciation for income tax purposes. Thus, important capital outlays are involved when bankers follow the conservative procedure of writing off fixed assets.

Recently, I had the opportunity of discussing this phase with a banker. He stated that the amounts which had been applied by his bank, a leading nationally-known institution, toward the writing-off of real estate and improvements, operating equipment, vaults, furniture and fixtures, etc., represented a sum equal to nearly 7% of this bank's total capital accounts. In considering the 34 Federal Reserve member banks in New York City, the corresponding figure may be conservatively estimated at not less than 5% of their $2,340 million total capital accounts.

The importance of the 50 banks listed in our tabulation is evidenced by their total capital accounts on June 30 of $4 billion, accounting for nearly 38% of the $10.6 billion total capital accounts for all the 14,200 operating commercial banks and trust companies. The ownership of the 50 banks is represented by over 60 million shares of capital stock in the hands of investors. As shown in the tabulation, all but two of the 50 banks listed were quoted at discounts from their book values.

Seventeen of these banks are in New York City. Their total capital accounts were $2,225 million, or 21% of the nation's total. Based on June 30 prices, the aggregate market value of their 33,572,000 outstanding shares was $1,604 million, a discount for this group of $621 million, or 28% from published book values. We do know, of course, that the discount is considerably greater when other values are taken into account.

The Reason For Lower Market Values

Let us return to the stockholders' question, "Why are the shares of our important commercial banks and trust companies selling at discounts from book values?" The reasons have been many, no doubt reflecting investor attitude toward all equity securities. In the market place bank shares are in competition with shares of all other industries.

Investors generally have taken a neutral and cautious view of bank shares because of what appears to be the adverse long-term impact on banks of low interest rates, rising operating costs and high income taxes—all these factors under difficult, competitive conditions, and at a time when the risk factor in the business has been clearly in the ascendance. Unprecedented competition exists between banks and nonbank lenders as well as among individual banks for all available loans. Banks are once again financing private business and, therefore, are necessarily assuming the attendant risks. There will be losses. The stockholder must ask the question whether these losses will be met out of sufficiently adequate current earnings or out of existing capital funds.

Another reason which has chilled investor interest is the realization that banks are caught in the crossfire of politicians and their economist advisors. Stockholders of banks suffered and were unduly penalized by actions of the monetary and banking authorities to control inflation in 1948. Because of the higher reserve requirements, banks were deprived of the use of an additional portion of their assets. The loss of earnings was, in effect, a special income tax on banks. Due to widespread uncertainty, unfavorable publicity, and the threat to earning power, bank shares in New York City fell to the lowest levels in many years. Thus, according to the "American Banker" index of New York City bank stock prices, the lows of 37.7 in 1948 and 38.0 in 1949 were only slightly above the Bank Holiday price level of 35.0 on March 4, 1933. In fact, quotations for a number of our prominent New York banks are lower today than they were on that day 16 years ago.

Low Bank Earnings

Along with this background, the dominant and continuing reason for banks at a discount has been and is today—low earning power. Bank earning power is too low, too low that is, in relation to book value. Current bank earning power is not sufficient to support a market valuation equal to book value. Entirely apart from cash dividends actually paid to stockholders, let us consider a bank whose shares have a book value of $50 and whose recurring earning power is $2.50 per share. By this we mean the bank's net current operating earnings per share, exclusive of capital transactions such as security profits, recoveries, losses and chargeoffs, and transfers to or releases from reserves. Thus, this bank's pure earning power is at the rate of 5% on the stockholders' book value. For the stock to be quoted at "book," however, the market would have to appraise its value at 20 times these earnings of $2.50. Barring exceptional circumstances, such an appraisal is obviously unrealistic in the market place today. Current quotations for leading New York City banks with adequate capitalizations are based on earning ratios of 14 to 15 times, and such a ratio would produce a figure somewhere between $35 and $40, as against a book value of $50.

In the past, however, as many stockholders of banks will recall, bank shares usually sold at a premium above book value. The rate of earning power in those days was much greater, and in the market place, those rates supported quotations equal to or greater than the book values.

Stockholders of banks are scarcely unaware of this changed situation. They realize that in the market place the value of their shares is determined by actual earning power rather than by the frequently unrealistic figures offered by government agencies. The information and figures published by the Federal Reserve authorities on bank earnings by no means portray the actual situation at the banks, nor are these figures easily reconciled with the reports issued by banks to their own stockholders. For example, newspaper accounts based on information given out by the Federal Reserve, stated that "net profits" of the 35 member banks in New York City increased by 17% during the first six months of 1949, over the corresponding period in 1948. The fact is that net current operating earnings of these member banks showed a slight decline during the period. This discrepancy arises mainly because of unrealistic accounting and reporting procedure used by the banking authorities.

For the year 1949, net current operating earnings of the New York City member banks are estimated at $140 million, unchanged from 1948, and at the rate of 6% on their total capital accounts of $2,340 million. Let it be remembered that these returns are before provision for losses.

True Earnings Exaggerated

The true earning power of banks appears exaggerated in the official findings given out to the public. Misunderstanding results. Great harm is done to banks and to their stockholders when such deceptive information is disseminated as that given out by the Federal Reserve authorities. Perhaps more than any other group, you members of the National Association of Bank Auditors and Comptrollers know and understand the real facts, and your efforts, now more than ever, are needed to correct this situation.

The truth is that current bank earning power is not enough when reckoned on the stockholders' equity, or book value. Bank stocks are safe investments today and have proven to be stable dividend payers. The fact remains, however, that the discount they carry is evidence of insufficient earnings on the investment. It would appear that the banking and monetary authorities should reconsider their definition of adequate earnings. It would seem that the sights had been set too low.

New Bank Capital Not Forthcoming

What are the consequences of low earning power, resulting in a discount market? To stockholders weighing their banks, it is only too obvious that existing conditions are no recommendation for the investment of new bank capital. Certainly, investors could hardly be interested in participating in the formation of any new banks. As for providing additional capital for existing banks, recommended by the authorities, new funds will not be attracted, no matter how necessary, except at great sacrifice by present owners, and then only if earnings or the prospect of earnings warrant the desired capital increase.

Recently, for example, in a case where additional shares were offered to stockholders, the price was set at 60% of the book value. It was estimated that more than half of the old stockholders did not exercise their pre-emptive rights. Thus, to the extent that new "partners" were taken in through sale of shares at a discount from the book value, it is apparent that the old stockholders found themselves sacrificing part of their equity. Stockholders, when confronted with such a situation, are forced to consider the alternative of withdrawing from the business through merger, sale or liquidation.

The danger flag is flying. Continuation of the discount market in bank stocks will act as an incentive to stockholders to withdraw. This means the elimination of banks, and if accomplished by the sale or merger method, also means the extension and expansion of the acquiring and surviving banks. But, when banks go out of business through outright liquidation, and thereby leave the community bankless, the door is opened wide for government to enter, because, it will be said, "private enterprise has defaulted."

It must be conceded, however, that the acquisition and absorption of retiring banks provide new outlets and increased opportunities for improving the earning power of the surviving institutions. In other words, fewer banks will compete for the available business. But such a trend has its monopolistic implications.

The attitude of bank stockholders at present is demonstrated by the recent developments in New York City, developments which have naturally aroused the intense interest of bank managements everywhere. Since New York City is the nerve center of the nation's private banking system, and since its problems are in many ways not unlike those existing in other areas, bankers everywhere are closely studying the solutions being worked out in New York. Eighteen months ago, there were 37 member banks in New York City. Today, the number is 34 and when the two deals now under way are consummated, there will remain only 32. These five retiring banks had total deposits of $400 million. Of their total capital accounts of $31 million, all but $3 million has been or is now in process of being returned to stockholders.

It is not surprising that the stockholders of these institutions adopted such a course. In one case, for example, stockholders were offered an opportunity to redeem their shares at $250 each against a market price of $150 quoted only a few weeks earlier. In another case, shareholders will realize $57 a share, compared with a market quotation of $30 earlier this year.

Unfortunately, this situation has produced a condition whereby an increasing number of bank stockholders have come to regard their investments in the smaller institutions as speculative holdings. This development has serious implications. Banks are basic to our free enterprise system. If banks can no longer attract and hold private investment capital in sufficient volume, this cornerstone of the system will soon be undermined.

The public interest is involved. Government, private business, and management all have a stake and a responsibility. A satisfactory solution will surely come, if all parties will work patiently together.

At the same time, it must be remembered that the bank stockholder is not wedded to banking as a business. His sole concern is with the value of his investment. Where it is more profitable for him to accept book value and to dispose of his holdings in a bank, dissolving the corporate structure in the process, it is certain that he will readily do so.

The Outlook for Business

(Continued from page 2)

than expected and new construction contracts, another indicator of the outlook for heavy industry, showed unexpected strength. That the rise in business activity in the third quarter of this year was relatively moderate is indicated by the fact that industrial production has increased only modestly and that estimates of gross national product are slightly lower than for the second quarter.

Major Factors in the Business Outlook

In the light of developments so far, what is the outlook? Have we had our major initial postwar readjustment, or is the present rise only a minor and temporary improvement in a generally unfavorable situation? There are obvious dangers in giving categorical answers. However, by appraising the trends and the prospects for certain key sectors of the economy, it may be possible to arrive at a plausible point of view.

The conclusions of such an analysis may be summarized about as follows: The recent pre-strike upturn in business reflects a variety of factors, including a normal seasonal pickup in some lines and a resurgence of orders in others. The factors now operating are not likely to bring the business indices back to the record levels of the postwar years in the near future. Many of the durable industries have so far experienced little or no adjustment. The evidence seems to indicate that spending for many of the important products of the heavy industries is at its peak and seems headed for a decline. Under these circumstances, the chances are for another downturn in business activity. It is entirely possible that business in general may drop to the levels of mid-1949, or even lower, before the end of 1950. These opinions, it should be added, ignore temporary declines in the business indices as the result of continued strikes in basic industries.

A brief discussion of some of the reasons underlying these conclusions is in order.

(1) **Inventory prospects** — If business recovery is to assume substantial proportions, it must be based on something more real than a seasonal rise or inventory hedging against strikes in basic industries. Nor is the upsurge of new orders for inventory replacement that has sparked the recent business revival likely to be a sustaining influence for more than a brief period. Business inventories, while below their peaks, are still high in dollar volume, and it is difficult to perceive any deficiency in the aggregate. Retail sales in the Fall season have not evidenced that pronounced strength which would encourage a more liberal inventory policy.

A renewal of inflationary pressures and strength in selected commodity prices would cause some restocking of inventories, but there is real doubt that the general level of prices is likely to turn sharply upward in the near future. This much seems clear: our big postwar inventory boom is behind us, and most pipelines are comfortably, if not generously filled. We can hardly rely upon inventory accumulation to provide the basis for a long-sustained rise in business activity. However, a wave of inventory rebuilding might, for a period of a few months, have considerable effect on some of the business indices, especially on the volatile Federal Reserve index of industrial production.

(2) **Plant and equipment spending** — Present evidence is that business spending for plant and equipment is over the peak and is in a downward trend. The most recent government estimates of spending intentions, based upon surveys conducted in late Summer, show a drop of about 7% in outlays for 1949 compared with 1948. More significantly, however, spending by practically every major industrial group except electric and gas utilities appears to be on the decline. Finally, comparisons between the respective quarters of 1949 and 1948 show a progressively less favorable picture quarter by quarter. This fairly pessimistic view of the outlook for plant and equipment

spending seems to be supported by two additional pieces of evidence: orders for industrial equipment have not shown any significant upturn, and the machinery component of the Federal Reserve index has been steadily declining for almost two years.

Scientific and technological advances, and the pressure for plant modernization to which present high wage costs contribute, will help maintain business spending, especially for new equipment. Nevertheless, the evidence of reduced capital outlays is quite unmistakable. Considering the acquisition of war plants by business and the great additions to plant capacity in the postwar years, some decline from recent levels is to be expected.

There is an underlying problem which will assume increased importance as time passes. How can we assure a continued high level of business investment in plant and equipment over a period of years? Attention has been distracted from this problem because of the high rate of capital spending in recent years; so far, we have been making good the deficiencies of industrial and business plant and equipment which came out of the war and the long prewar years of low investment. As regards the future, however, the prospects are not encouraging.

One of the major determinants of the volume of plant and equipment spending in the long run is the outlook for business profits. With the passing of the postwar boom, the pressure on plant capacity has diminished, business is becoming more competitive, and profit margins are declining. But labor costs tend to be inflexible on the down side and business has been called upon to assume a further heavy burden in connection with pension plans. These developments all indicate a sizable squeeze on business profits.

Furthermore, the rising tide of government spending poses the problem of balancing the budget, and business corporations are generally the most popular targets in any political program for higher taxes.

Another popular group in this respect consists of individuals of medium and large incomes, the traditional sources of venture capital. Indeed, the political environment as a whole is unfavorable to the establishment of amicable relationships between business and government; there is a lack of knowledge, of understanding, and of confidence.

This situation is not conducive to a sustained high volume of capital investment. If we face a downward drift in the level of plant and equipment outlays, maintaining a satisfactory level of business will be difficult indeed.

(3) **Construction** — The dollar outlays for building and construction in 1949 will be about as large as in 1948. Private construction will be lower but the rise in public construction will offset this decline. Because of some reduction in construction costs, the comparison with last year in physical terms appears favorable. The high level of building and construction reflects the accumulated backlogs arising out of the war, together with a large contribution by government in the form of direct outlays for public construction and loan guarantees in the field of residential building.

In recent months construction contracts have been running above the levels of a year ago. During September, the last full month for which data are available, the increase was nothing short of astounding: more than 40% above September 1948 in dollar volume.

Much of this unexpectedly good record is due to the fact that residential builders have shown substantial ingenuity in adjusting their operations to market requirements of style and price, have concentrated on lower cost homes, and are able to sell their product. Financing, either with or without government guarantee, continues to be available on easy terms, both for home purchase and for the construction of rental housing. In some areas the cost of home ownership is lower than the cost of renting.

Nevertheless, in spite of the spurt in recent months, the tempo of residential building is expected to slow down during the next year and new starts are likely to be lower than in the past two years. For some time we have been adding to our housing at a faster rate than the new demands for accommodations. The housing shortage has eased noticeably in many areas, and will ease further when the larger number of starts in recent months reach completion. Industrial construction has been sagging for almost two years, and commercial building appears to have peaked off last year.

For 1950, therefore, the prospects are for a lower volume of private building. Public construction may be larger than this year, although the increase will be significantly less than it was in the current year compared with 1948. Construction of public facilities will be augmented by the public housing programs but these are not likely to assume large proportions until the latter part of the year. Consequently, while the outlook for construction is satisfactory for next year, the dollar volume is likely to be lower than in 1949.

(4) **Automobiles and farm implements** — The contribution of the automobile industry and related industries to employment, production, and sales in 1949 was very substantial. Price concessions by dealers and the availability of lower-priced cars and models, together with some relaxation in financing terms, have been sufficient to keep production and sales at record levels. Recently, however, dealers' stocks have begun to creep up, and competition and price concessions are becoming keener and more widespread. Most analysts seem agreed that the backlog of accumulated demand has been largely filled, that we have about as many automobiles as might be expected considering the population and the levels of national income, and that we now must depend largely on the replacement market.

That market, of course, is very large; we have an abnormally high percentage of old cars. Also, some additional concessions doubtless can be made by dealers, and the possibility of some reduction in factory prices or the introduction of cheaper models should not be ignored. The short-term outlook is clouded by the advent of winter and the return of normal seasonal movements. The consensus seems to be that 1949 is the peak automobile year, and that production in 1950 is likely to be down by something in the neighborhood of 15% to 20%.

Sales of farm implements also have been very high in the postwar years and have been a supporting factor in the business picture. The machinery in use on farms has increased substantially in amount, quality, and efficiency. The outlook for agriculture suggests a less favorable situation for the equipment market in 1950. The combination of peak prices, good crops, and unlimited production opportunities, which brought the greatest agricultural prosperity in our history, is about over. Agricultural income is lower this year than it was in 1948 and will be even lower in 1950. Restrictions on output have already been announced for wheat and are likely for other major crops next year. Here again, in spite of unprecedented prosperity on the farm, large holdings of liquid assets, favorable debt condition, and the labor-saving advantages of farm machinery, prospects point to significantly lower sales of farm machinery next year.

(5) **Foreign trade**—It is likely that foreign trade will provide less net stimulus to the American economy in 1950 than in recent years. Our export surplus is large only because of our huge programs of foreign aid. In spite of ECA, foreign countries have had to impose restrictions on the importation of American goods and our markets have suffered.

Until the recent announcement regarding the atomic bomb, the trend in Congress was in the direction of reducing our program of foreign aid in order to cope with our large budget deficit. The recent international developments may increase our military aid to Europe, which will have some effects on the economy, but the net result for total outlays in the international sphere is not likely to be significant unless the world news becomes much worse. Even today the prospects are that ECA expenditures will be reduced for the next fiscal year. The trend of government thought and action is in the direction of assisting Europeans to help themselves. While the full program will take time to carry out, the trend is in the direction of reducing our tariffs and other barriers to imports.

The world has just experienced one of the most substantial and widespread readjustments of currency values in modern economic history. The dollar has been made considerably more expensive for nearly all the world outside the Soviet sphere. A body of opinion in this country foresees the most dire consequences, including the loss of our export markets, floods of imports, severe repercussions on our economy, depression and unemployment, flight from our currency, and ultimately a reduction in the gold content of the United States dollar.

These views appear extreme and unrealistic, at least in the short term. True, the net effect of devaluation is likely to be deflationary in the United States; it will tend to encourage imports, and to discourage exports. However, the impact upon our economy will be moderated by the continuance of large programs of foreign aid, the persistent shortage of many goods in the rest of the world, the productive efficiency of our industry, and the relatively minor importance of our foreign trade when measured against the gross dollar volume of our production. Furthermore, foreign import restrictions were already in effect before devaluation. Thus devaluation *per se* will probably not be a major factor on the adverse side in the near future. However, the important consideration is that its net effect is likely to accentuate other downward forces operating in the economy.

(6) **Price outlook**—One of the most difficult and, at the same time, most important factors in appraising the business situation is the outlook for commodity prices. Since reaching a postwar peak in the third quarter of 1948, the general index of wholesale prices has declined about 10%. Prices of farm products, foods, and some raw materials have dropped substantially more than the average, while the decreases in prices of manufactured goods and in retail prices have been much more modest. However, prices at retail have declined more than is indicated by the indices as the result of quality improvements, dealers' concessions, and the availability of much merchandise to the prudent buyer on sales appreciably below list prices.

The relatively small correction in prices reflects a variety of sustaining forces. Business activity has been well maintained, and many heavy industries have been operating under favorable market conditions. Also, many necessary and desirable adjustments are prevented by government policies, such as price supports for agricultural commodities at high levels. Finally, continued demands by labor unions subject business management to the threat of ever-rising labor costs. Consequently, many of the distortions that have infiltrated into the price structure over the past decade are still with us. Even at the expense of short-run embarrassment and difficulty, a realignment of prices would be in the best interest of the economy.

The policies of both government and labor unions, by making adjustments in prices difficult, may very well contribute to some deterioration in the business situation. In the immediate postwar years, with large accumulated demands, increased costs could be passed on without any appreciable effect on the high level of production. However, as these accumulated demands diminish, it will become increasingly necessary to reduce prices if production volume is to be maintained. Many groups in the economy have not shared in the rise in incomes and have been priced out of the market. This pressure of lessened demand and lower selling prices operating against generally high and inflexible costs is likely to eat further into business profits, with consequent adverse effects, as already mentioned, on the levels of plant and equipment spending.

In spite of the factors which make significant price reductions difficult, a reasonable judgment at the moment would be that pressure on prices is still downward. Further corrections in prices will be made, and commodity prices generally will be lower a year from now than they are at present. The declines are likely to be of modest proportions, averaging perhaps 10% or so; a price collapse is not indicated. Nevertheless, this downward drift of prices will probably be sufficient to prevent any strong resurgence of inventory accumulation.

Effects of Government Spending

Against the prospects for declining rates of spending for many of the products of heavy industry by the private sector of the economy must be placed the outlook for higher outlays by the government. Is the prospective increase in government spending likely to offset the reductions in other types of spending?

The demand for consumer goods will receive a substantial boost from government spending early next year with the payment of the dividend on National Service Life Insurance, estimated at about $2.8 billion. This sum will be disbursed over a period of six to nine months and will inflate personal income only moderately. That a large share will be spent for consumer goods is a foregone conclusion, but the additional buying will be spread over an even longer period and will not increase the rate of consumer spending by more than perhaps 2% or 3%. A one-time stimulant of this kind will not have any significant or lasting effects, although it may contribute to the support of business operations in the first half of next year.

The upward trend of government spending, which was resumed last year, is still evident. Although the rate of increase has recently shown some prospect of leveling off, it is certain that government expenditures will continue to rise. The sphere of government is constantly expanding, and outlays for public works, price-supports, social security, housing, and aid to veterans have an overpowering political appeal. Even if no new programs are launched, spending will increase as the result of projects already initiated. Recent developments in the international field rule out any reduction in the total of international and defense expenditures. Economic aid may be tapered off, but the rearming of Europe is likely to continue. Defense expenditures will rise; the only important question is how much.

In this analysis it has been assumed that government spending will continue to increase, but that the rise can be restrained to modest proportions, say, around 5% in the fiscal year beginning next July. This may prove to be too conservative an appraisal of the spending outlook, in view of world news and the lack of agreement as to the basic requirements for our military defense. Should we take substantial steps toward a defense economy, a reappraisal of the economic situation would be necessary.

Government action and spending serve to cushion the economy in a business downturn; even without deliberate action, expenditures tend to rise as employment and prices decline. But this does not mean that the government can prevent any recession, or that a rising level of government spending is an effective guarantee against deterioration in the business situation. The only exception is if as in wartime, government outlays are so large as to give rise to overemployment, full use of production facilities, scarcities, and inflationary pressures. Given some slack in the economy, however, business conditions can change faster than government spending can be adjusted to meet them. Time is still required to devise, enact and carry out new programs. Government spending cannot be increased in exactly the right amount, at the right time, and for the right purposes, to smooth out the inevitable fluctuations in business.

For the current fiscal year, the outlook is for a budget deficit of approximately $5 billion, and a cash deficit of about the same amount. Considering the size of our economy and the business outlook already discussed, this prospective deficit is not likely to rekindle business enthusiasm for expansion or cause a general inflationary rise in commodity prices.

However, the Congress and the nation are facing difficult decisions arising out of the stupendous level of government spending. Either we run the risk of growing deficits, or we must raise additional revenues. The growing pressure for a reduction in excise taxes and for other forms of tax relief, in the face of the prospective rise in outlays, means that the choice between further deficits or more taxes will have to be made reasonably soon, probably in 1950.

Neither choice is likely to prove beneficial to business. Continued deficits in the face of generally satisfactory levels of business run counter to the established thinking of business men and investors. On the other hand, the tax philosophy and proposals of the Administration will not be favorable to business, or to the accumulation and investment of business capital. The desirable prospect of reduced government spending, lower taxes, and debt retirement will not be realized for some time to come.

Conclusions

These observations on the business outlook may be summarized as follows:

(1) The immediate business prospects are adversely affected by strikes in basic industries. These have interrupted the Autumn recovery in business activity which reflected inventory replenishment, the operation of normal seasonal factors, and stockpiling in anticipation of labor difficulties. The longer these work stoppages continue, the more significant will be their ef-

(Continued on page 34)

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Strike damage warnings may lead to new reaction. If seen, it may present buying opportunities for those who missed the market.

A few weeks ago when the familiar averages were selling at about 178, I recommended a list of stocks when, as, and if, these averages would get down to the 175 level, the figure I expected would bring a halt to any further decline. At the same time I wrote here that I preferred buying when a combination of news events would breed pessimism so that few people saw any immediate hope for the future.

* * *

I figured this combination of factors would come from the strike news, though at the same time I emphasized that strike news itself was not considered bearish.

* * *

Apparently I misjudged the temper of the market. First of all the averages didn't get down to 175. The low, the day the column was written—about 178—was the low for the move. And instead of the steel and coal strikes generating apprehension, they brought about a rise in stocks to what was practically a new high for the move.

* * *

That left me with a handful of theories and only two stocks to boast of. Having missed the first move I might have switched completely, chased them and bought them at the market. Bitter experience, however, taught me the futility of such a practice.

* * *

In the past week, however, the calm assured atmosphere that has pervaded the market, seems to have slipped a couple of notches (how d'ya like that for mixed metaphors). The cumulative effect of the various strikes is now being felt in allied industries. At least there are official warnings appearing daily.

* * *

Whether these head shakings are justified, doesn't concern me. What does matter is that they may well lead to a reaction which will permit us to buy some of the stocks recommended here a few weeks ago. In some cases the recommended buying prices are now too low. If some of them get down as low as first thought, it would mean a full blown reaction that might cancel all the good accomplished in the past few weeks.

* * *

In any case here are the new buying points, even if the stocks themselves aren't new: Bethlehem 26-27, stop 25; Celanese, 25-26, stop 24; Kennecott, 45-46, stop 44; Illinois central 27-28, stop 26; and Republic Steel 18-19, stop 17.

You now hold two stocks, Denver & Rio Grande 22-23. Forget the old stop of 21. Stock is now about 28. Put your stop at 25. You also have American Smelters 45-46 with a stop at 44. Keep the position intact.

* * *

Incidentally I suspect a settlement of the steel strike would not be bullish. Particularly if it involved a raise in steel prices which would be passed on.

More next Thursday.

—Walter Whyte.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Eastern Pa. Group Of IBA Elects

PHILADELPHIA, PA.—The annual meeting of the Eastern Pennsylvania Group of the Investment Bankers Association of America was held on Monday, Oct. 24, 1949. Walter A. Schmidt, of Schmidt, Poole & Co., was chosen for the office of Chairman for the year 1949-1950.

Walter A. Schmidt

Other officers elected are: Gordon Crouter of DeHaven & Townsend, Crouter & Bodine, Vice-Chairman, and Albert R. Thayer, of Thayer, Baker & Co., Secretary-Treasurer.
& Co., Secretary-Treasurer.

In addition, the following were named for three-year terms on the Executive Committee: Henry R. Hallowell of Hallowell, Sulzberger & Co.; Wallace M. McCurdy of Thayer, Baker & Co.; William Z. Suplee, of Suplee, Yeatman & Co., Inc.

These nominations were made by a Committee consisting of Norbert W. Markus of Smith, Barney & Co., Chairman; Gordon Crouter of DeHaven & Townsend, Crouter & Bodine; William L. Day of The Pennsylvania Company; Henry R. Hallowell of Hallowell, Sulzberger & Co.; Robert G. Rowe of Stroud & Co. Inc.

The Outlook For Business

(Continued from page 33)

fects on allied industries and on the aggregate measures of production, employment, and trade. Business statistics for October may be the worst for any month in 1949. However, the strikes are not likely to continue for so long a period as to have a really significant effect on the pattern of business developments, although they will affect the timing.

(2) The ultimate settlement of these strikes will lead to the rebuilding of inventories. This, together with the increased spending which will result from the dividend on National Service Life Insurance and the high level of construction for the immediate future portended by recent data on new contracts, will provide substantial support for business in the early months of 1950.

(3) As 1950 progresses, we shall face the prospects of reduced spending for some of the heavy goods which gave such good support to the economy in 1949, e.g. automobiles, farm equipment, private construction, and business plant and equipment. The available evidence suggests a tapering off in this type of spending rather than a collapse to anything like depression levels. Foreign trade will provide less net stimulus for the domestic economy next year. Government spending, while still in a rising trend, is not a guarantee against fluctuations in business activity.

(4) On balance, therefore, the outlook favors further business adjustments over the next 12 months, characterized by a decline in the index of industrial production, a rise in unemployment, and further price weakness. Some of the nondurable goods industries experienced substantial adjustments earlier this year, but many of the important heavy industries still appear to face a correction. A decline in the heavy industries is usually more serious for business than a recession in the soft goods sector of the economy.

(5) The development of a pronounced downward spiral in production, prices, and employment does not appear likely. Business in 1950 may average somewhat lower than in 1949, but the year as a whole will probably be reasonably satisfactory. However, conditions will become even more competitive, some profit margins will be squeezed between lower prices and a relatively inflexible cost structure, and the underlying political situation will not be favorable to business.

(6) For the longer term, we must rely upon business enterprise and capital investment if we are to have satisfactory business conditions. The hindrances to such enterprise and such investment are very real. The need to encourage business is second only to the paramount problem—how to insure world peace. Neither problem is likely to be solved in 1950.

Robert G. Mills Is Forming Own Firm

ST. LOUIS, MO.—Robert G. Mills is forming R. G. Mills & Co. with offices at 314 North Broadway. Mr. Mills was formerly a partner in Dempsey-Tegeler & Co. and in the past was with the Metropolitan St. Louis Co.

Collin, Norton Adds

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, OHIO — William J. Whelan has become affiliated with Collin, Norton & Co., 506 Madison Avenue, members of the New York Stock Exchange.

As We See It

(Continued from first page)

though many if not most of these obligations are long in default, and (although Mr. Taylor refrains from saying so) the remainder for the most part are destined to be at one time or another as things are now going.

This leaves $33 billion to be accounted for. A part of this sum was offset by private donations. Some $10.5 billion was settled with funds invested abroad by American citizens, a good deal of which later went into default. On the basis of such facts, Mr. Taylor concludes that there was nothing particularly "healthy" about this "favorable" trade balance. In this latter conclusion the gentleman seems to us to have qualified as a worthy competitor of the late President Coolidge as a master of understatement. He points out in this connection — as indeed he could hardly fail to do—that export industries, consciously or not, had long thus been subsidized, and that the cost of it was laid upon the taxpayer, the only exception being during the 'Twenties when a great many naive (and some supposedly not so naive) investors appear to have provided the funds to finance the strange foreign economic policies of this country.

A Factual Analysis

Of course, there may be some points at which one would want to argue the case with Mr. Taylor, but by and large this seems to us to be a true and straight story. We are not unmindful of the fact that two deadly world wars took place in this period, and that political considerations incident thereto provided what was commonly regarded as compelling reasons for some of this record. However, when due allowance is made for all such factors, the truth remains that much weight is left in the Taylor analysis. The country is also in Mr. Taylor's debt by reason of the fact that he has had the courage to call sharp attention to a continuation even up to the present moment of much of the type of thinking that is responsible for these deplorable results in past decades.

He is eternally right when he points out that at the same time that we are pouring money into Europe and elsewhere, and are finding that, despite it all, the so-called "dollar shortage" continues, we are rather more than reluctant to permit the entry of foreign goods into our markets in amounts sufficient to offset those exports and services we wish to sell. In brief, we do not appear particularly concerned about the amount of money the taxpayer is sending abroad in one form or another, or the likelihood that, given a continuation of conditions as they are at present, even those funds which go abroad as loans will presently prove in the event to be gifts for all practical purposes.

Heart of the Problem

We do not see how any one could doubt that he is right when he points an accusing finger at our tariff rates and our tariff procedures. They are time honored and, in some circles, almost sacrosanct modes for permitting various producers in this country to avoid the competition which would obtain if natural forces were in full sway and which would in the end without question result in cheaper and better products both here and abroad. His specific remedies are technical, and we do not profess to be in a position to evaluate them, but we have little doubt that they are designed to eliminate, or at the very least, to reduce real evils now rampant. He is also on strong ground in attacking a number of other laws which interfere with normal international competition in domestic markets.

What is needed now to supplement Mr. Taylor's analysis is a similar account of what other countries are doing in these matters, and a plain-spoken naming of the myths and the popular misconceptions which permit, even stimulate, the growth of such mistaken policies all round the world. Restrictions and all sorts of interferences with natural forces are omnipresent. Almost everywhere there are influential politicians, usually controlling politicians, who are quite certain that they can substitute their petty wisdom for that of nature and thus greatly improve the economic condition of mankind. One must suppose that the rank and file, at least in those countries where the people still really rule, are similarly affected with this modern virus of socialism, communism, or their near cousin, controlled or managed economics.

The Basic Remedy

These underlying philosophies touch international economic relations, both directly and indirectly. It has long been argued by these "modernists," many of them sincere, some of them learned in the lore of the literature, most of them

quite ignorant of what they are talking about, that once all business throughout the world is controlled and directed (if not actually owned and operated) by government, the difficulties of preventing depressions, and the task of enriching the masses, and all the rest that goes to make up Utopia, would be immensely easier. Then, so it is said, only a working agreement among nations would be necessary to assure permanent prosperity. Of course, this is nonsense, pure and simple, but more important for the moment is the fact that nationalism cuts across all this all over the world and gives birth to innumerable restrictions at boundary lines.

At home Mr. Taylor and the others in agreement with him will not get very far until the old gag about pauper labor, or more recently slave labor, abroad is put to sleep; farmers are made to realize that they should stand on their own feet; labor understands that it must receive what is proportionate to its production—as competition from abroad would help to make certain; and that what our economy most needs, and what is most needed the world over, is that type of full and free competition which really is the "life of trade."

The Outlook for Interest Rates

(Continued from page 9)

obligations. It has been the Treasury's policy to keep the debt burden as low as possible, and therefore one may assume that the Treasury will not be willing to increase materially the rate of interest it has to pay. This will tend to keep interest rates down. On the other hand, the supply of tax-exempt securities will also increase substantially. Most of these obligations are serial in character and the commercial banks are considerable buyers of those with a maturity up to 10 or 12 years. This will tend to prevent a decline in short- and medium-term rates. On the whole, therefore, the net change in short-term rates is bound to be small.

The over-the-counter rate, or the rate of interest charged by commercial banks on loans to their customers, will to a considerable extent depend on the policies of the Reserve authorities. If the demand for funds by business continues, then the present 2% rate in all probability will be maintained. If, on the other hand, business activity should decline and the volume of bank loans be reduced, one may expect a lowering of the discount rate and of reserve requirements. This in turn is bound to bring about a decline in the prime rate charged by banks to their customers. But in this respect, also the change is likely to be small.

As regards short-term rates, therefore, one may draw the conclusion that any changes that may take place in the near future are bound to be very moderate in character. The certificate rate may fluctuate between 1 and 1¼%. The discount rate of the Federal Reserve Banks will either remain at 1½% or it may decline to 1¼%. The over-the-counter rate on prime paper will either remain at the present rate of 2% or it may decline to 1½ or 1¾%. A preferential rate for short-term government obligations may be established. A material change in money rates is not indicated, partly because of the needs of the Treasury, which is confronted with the task not only of refunding billions of dollars of outstanding obligations but also of borrowing new money. Moreover, as the experience of 1948 has clearly demonstrated, the Reserve authorities have determined to maintain the government bond market orderly and any change they will permit will be only minor in character.

The Outlook for Long-Term Rates

To some extent the outlook for long-term rates of interest will depend upon the movement of short-term rates. It is evident that if the certificate rate is lowered to 1%, and particularly if this action is accompanied by a reduction in the discount rate, many commercial banks will endeavor to recoup their earnings by lengthening their maturities. This in turn is bound to bring about a further increase in prices of long-term government obligations accompanied by a similar movement of other high-grade bonds. On the other hand, if the demand for funds should continue strong, and especially if this should lead to an increase in the certificate rate to 1¼%, many commercial banks will liquidate a part of their long-term government obligations. In that case prices will go down and yields up, and this trend will be accompanied by a corresponding increase in yields of AAA corporate bonds.

In analyzing the forces that will operate in the long-term capital market it may be taken for granted, however, that the 2½% rate on long-term government obligations will remain. It is not likely that in the foreseeable future the Treasury will offer any long-term obligations with a higher coupon. The experience of 1949 appears to indicate, moreover, that no matter how large the demand for long-term capital may be and no matter how great the liquidation of long-term government obligations by financial institutions may be, the 2½% return will be maintained. The fact that the upper level on long-term government rates seems to be fixed also sets a pattern for the rate of interest on other high-grade long-term bonds. Nevertheless, a widening in the spread between government and AAA corporate bonds may take place, as it has often taken place in the past. Many large-scale investors consider the spread between governments and AAA corporates too narrow at present and expect it to increase. But in any event, the widening can be only limited in character.

In addition to the influence exercised over the capital market by the policies of the monetary authorities, long-term money rates will also be strongly influenced by the demand for and the supply of capital. In the immediate future the demand for capital will be substantial. The supply of long-term tax-exempt securities is constantly increasing since public works are expanding rapidly. In particular, the need for construction of new roads is very great, and one may therefore expect a large flotation of tax-exempt securities. Those with a maturity of up to about 12 years will be acquired by the commercial banks while the longer-term maturities will be bought by institutional investors if the coupon is satisfactory and by individuals subject to high income taxes. The supply of mortgages also will increase, because of the high level of building activity. In addition, one may expect that next year a large amount of housing bonds will be offered in the market. The International Bank for Reconstruction and Development, in all probability, will also offer a considerable volume of securities in the not too distant future. The supply of corporate bonds will not be as great as in the past, primarily because capital expenditures by corporations are decreasing.

However, while the demand for capital will be substantial, the supply of funds seeking an outlet in bonds and mortgages is also bound to be great. The savings of the people have become largely institutional in character, that is, people save primarily through insurance, pensions, and by deposits in savings institutions. If the volume of employment is large, as it promises to be, and the national income remains at a high level, savings of individuals will probably increase. Moreover, pension plans are being adopted by many corporations. So far, the majority of these plans provide pensions to executives or white collar workers, pensions for manual labor not yet being widespread. In all likelihood, however, the adoption of pension plans for manual workers will spread very rapidly and within the next few years workers in all the leading industries may be covered by such programs. As far as the capital market is concerned, it makes very little difference whether the pension is contributory or whether it is paid entirely by the company. The fact remains that the sums accumulating in pension funds seek an outlet in bonds and mortgages, and therefore, the supply of funds available for investment in fixed-income-bearing securities is bound to be very great. What effect this will have on long-term interest rates can readily be foreseen.

The principal uncertainty in the picture is the fiscal position of the government. If, for example, the budget of the Federal Government during the next few years should be balanced on a cash basis and the Treasury should not need to have recourse to new borrowing, long-term rates, under the great pressure of the accumulation of funds in pension funds and in the hands of insurance companies and savings institutions, will probably decline from the present level. Of course, a different situation will prevail if the deficit of the government is large. In the fiscal year 1948-49, when the economy of the country as a whole was on a high level and employment was satisfactory, the Treasury had a deficit of $1,800 million. During the present fiscal year the deficit may run from $4 to $8 billion. While Congress preaches the necessity of curtailing expenditures, balancing the budget and repaying the public debt, no measures are taken to achieve these aims.

Under these circumstances one can therefore expect that the deficit of the Government will continue for an indefinite period. Nevertheless, short of an emergency or a material decline in business activity, accompanied by a sharp reduction in the revenue of the Government and a substantial increase in its expenditures, the volume of new securities that the Treasury will offer in the future may not be sufficient to counteract the pressure of funds resulting from the wide adoption of pension plans. The situation is further aggravated by the fact that the supply of equity capital is rather limited, while earnings of corporations plowed back into the business will also decrease. Most corporations desire to have a certain ratio of bonded indebtedness to equity capital. If the amount of equity capital does not increase, their ability and willingness to borrow through the sale of bonds is also reduced. Hence, while the immediate outlook is for a large supply of bonds and mortgages, matching the supply of funds seeking investments, in the long run, and particularly if pension plans embracing manual workers are widely adopted, the supply of funds seeking an outlet in fixed-income securities may be so great as to exceed the demand and thus press further down on interest rates.

The Gold Dollar—A Check on Government Spending

(Continued from page 15)

political and economic liberty) for bales of paper currency.

The farm parity plan was originally passed "to bring about orderly marketing of farm crops"—it has since degenerated into a successful method to buy the farmer's vote—so stated repeatedly on the stump by President Truman when campaigning for reelection last year.

New York "Times"—Washington—dateline Oct. 11, 1949—John D. Morris' special dispatch states:

"President Truman cautioned Democratic farm leaders of Congress today against lower price supports (House bill provides for raising to 90%) for basic commodities, lest the party lose the farm vote in future elections. According to those who attended, that was the principal point made by the President at a White House conference with Congressional farm leaders and Charles F. Brannan, Secretary of Agriculture."

The essence of price support is this: the Government supports the price of practically everything grown on a farm. This is the same as to say that it keeps up the price of practically every food the public eats, and of what it wears in the form of cotton and wool, including what it smokes, tobacco. The Government does this in most cases by buying, and by making loans to farmers which are in effect buying, for the loans do not need to be repaid. (There are other methods, including direct price fixing.)

To the average man's understanding, all this is economic imbecility. But it is with us; nothing done in this Congress aimed to terminate it. The tendency of price support from the beginning has been to expand. The 1938 law, called the "Crop Control" law, which was the beginning of the present system of price support, covered only five so-called "basic" crops—corn, wheat, rice, cotton, tobacco.

Today, price support covers practically everything raised on a farm.

Most governments (including our own) with irredeemable paper currencies are engaged in buying the people's votes with the people's own money.

This technique has permeated many phases of our political life and is used freely by both parties. In addition to the farm bloc, let me name a few other big pressure groups: the armed services, old age pensions, the labor unions, veteran groups, the intrenched bureaucracy, and many others. Each one thinks, "I'll get mine," ignoring the fatal cumulative effect of satisfying all these demands. What all these groups need is not more dollars as much as better dollars; dollars that buy more.

But what about the end of this road? The farmer will still have his buildings, his machinery, his livestock, but his money in savings banks, in commercial banks his annuities, his insurance probably will be worth 10 cents or less on the dollar unless we change our course. He is out to get his like all the other pressure groups, but he, like them, will end up with bales of paper money. He shuts his eyes to the fact that his votes are being bought with his own money, and you bankers who should safeguard the value of his money have remained silent and have not told him what is happening. By your silence you proclaim your allegiance to your political masters in Washington. Because since the end of the war they have not made a single move to return to the only sound currency. The same indictment must rest almost without exception against the heads of our life insurance companies, the heads of our larger commercial banks, the heads of our savings banks—and all the places where there are enormous deposits of citizens' savings.

Where is the moral fibre of our leadership? Where has our belief in principle gone?

Three years ago French citizens, under their government's pressure, put the equivalent of two billion U. S. dollars into French Government bonds. Three years later, in 1949, their bonds were worth 10 cents on the dollar. This is what irredeemable paper is and does whether in France, in China, or in any other country, including the United States. And the principal reason is that it is so easy to appropriate and to spend when all we have to do is to start the printing presses rolling.

"It can't happen here."

Wake up! It is happening here. In 1939 Americans subscribed billions to U. S. Savings Bonds. Ten years later, in 1949, the 1939 dollar is worth 53 cents (Federal Reserve Bulletin figure of Sept., 1949, p. 1133). It purchasing power in the U. S. is 47% less than in 1939.

We may ignore, but we cannot escape, the teachings of history. Economic history records that eventually every country abandons irredeemable paper currency and returns to convertibility, to hard money. Our country will return to convertibility and hard money sooner or later. But losses to our citizens will be far greater later, the longer convertibility is delayed. It is imperative that men in positions of responsibility get mad and get busy with their representatives in the House and in the Senate to show them the extreme danger inherent in our irredeemable paper currency and to enlist their support to return to a gold basis as provided in Representative Reed's HR 3262.

Robert P. Lamb Dead

Robert P. Lamb died unexpectedly Oct. 10, 1949, at Nashville, Brown County, Ind., where he had gone on a visit for several days.

For the last ten years he was connected with Alfred O'Gara & Co., in Chicago. Previously, he had been with several other companies, including the National City Bank and the Continental Illinois National Bank.

During World War II he served the War Production Board as an industrial engineer, while on a year's absence from Alfred O'Gara & Co.

Mr. Lamb was born in Springfield, Mass., July 4, 1891, graduated from Torrington (Conn.) High School, and later attended the Literary Institute College in Connecticut and the American Institute of Banking.

He is survived by his widow, the former Gertrude J. Kral, 1646 South Lombard Avenue, Berwyn, and three daughters and four grandchildren.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Oct. 30	9.0	9.3	84.6	98.9
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 30	166,000	172,000	1,559,600	1,782,600
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Oct. 15	5,043,550	5,014,800	4,845,300	5,633,600
Crude runs to stills—daily average (bbls.)	Oct. 15	†5,324,000	5,335,000	5,306,000	5,609,000
Gasoline output (bbls.)	Oct. 15	17,978,000	18,107,000	17,845,000	17,424,600
Kerosene output (bbls.)	Oct. 15	1,865,000	2,190,000	1,759,000	2,289,000
Gas, oil, and distillate fuel oil output (bbls.)	Oct. 15	6,752,000	7,131,000	6,667,000	7,425,000
Residual fuel oil output (bbls.)	Oct. 15	7,659,000	7,363,000	7,485,000	9,163,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 15	102,767,000	102,707,000	103,331,000	91,483,000
Kerosene (bbls.) at	Oct. 15	27,758,000	27,548,000	26,436,000	26,877,000
Gas, oil, and distillate fuel oil (bbls.) at	Oct. 15	86,952,000	85,800,000	80,114,000	74,278,000
Residual fuel oil (bbls.) at	Oct. 15	69,081,000	68,222,000	68,527,000	59,558,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 15	§583,913	574,228	743,022	912,957
Revenue freight received from connections (number of cars)	Oct. 15	§506,766	519,010	570,575	722,490
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 20	$121,542,000	$143,697,000	$188,659,000	$129,008,000
Private construction	Oct. 20	62,894,000	66,327,000	95,673,000	55,204,000
Public construction	Oct. 20	58,648,000	77,370,000	92,986,000	73,804,000
State and municipal	Oct. 20	51,459,000	59,959,000	64,267,000	62,528,000
Federal	Oct. 20	7,189,000	17,411,000	28,719,000	11,276,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 15	2,390,000	2,210,000	8,435,000	12,463,000
Pennsylvania anthracite (tons)	Oct. 15	1,259,000	1,099,000	944,000	1,225,000
Beehive coke (tons)	Oct. 15	2,700	*2,300	10,700	150,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Oct. 15	288	297	315	331
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 22	5,417,877	5,480,735	5,555,641	5,538,885
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Oct. 20	181	172	169	124
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 18	‡3.705c	3.705c	3.705c	3.720c
Pig iron (per gross ton)	Oct. 18	$45.88	$45.88	$45.88	$46.91
Scrap steel (per gross ton)	Oct. 18	$26.50	$26.58	$27.42	$43.16
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 19	17.325c	17.325c	17.325c	23.200c
Export refinery at	Oct. 19	17.550c	17.550c	17.550c	23.425c
Straits tin (New York) at	Oct. 19	96.000c	96.000c	103.000c	103.000c
Lead (New York) at	Oct. 19	13.000c	13.750c	15.125c	19.500c
Lead (St. Louis) at	Oct. 19	12.800c	13.550c	14.925c	19.300c
Zinc (East St. Louis) at	Oct. 19	9.250c	9.250c	10.000c	15.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 25	103.92	103.92	103.87	100.69
Average corporate	Oct. 25	115.04	115.04	115.04	110.88
Aaa	Oct. 25	120.84	120.84	121.04	116.02
Aa	Oct. 25	119.00	119.00	119.20	114.27
A	Oct. 25	114.27	114.27	114.27	110.15
Baa	Oct. 25	106.74	106.56	106.39	103.97
Railroad Group	Oct. 25	109.60	109.42	109.60	106.59
Public Utilities Group	Oct. 25	116.61	116.41	116.22	111.81
Industrials Group	Oct. 25	119.20	119.41	119.41	114.66
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 25	2.21	2.22	2.22	2.45
Average corporate	Oct. 25	2.90	2.90	2.90	3.12
Aaa	Oct. 25	2.61	2.61	2.60	2.85
Aa	Oct. 25	2.70	2.70	2.69	2.94
A	Oct. 25	2.94	2.94	2.94	3.10
Baa	Oct. 25	3.35	3.36	3.37	3.51
Railroad Group	Oct. 25	3.19	3.20	3.19	3.36
Public Utilities Group	Oct. 25	2.82	2.83	2.84	3.07
Industrials Group	Oct. 25	2.69	2.68	2.68	2.92
MOODY'S COMMODITY INDEX	Oct. 25	339.7	335.7	344.4	404.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 15	191,375	282,832	197,991	185,610
Production (tons)	Oct. 15	208,450	201,544	205,128	192,539
Percentage of activity	Oct. 15	94	92	92	97
Unfilled orders (tons) at	Oct. 15	422,552	440,721	369,573	384,134
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Oct. 21	126.1	126.7	129.3	143.1
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Oct. 8	20,648	18,580	12,586	16,929
Number of shares	Oct. 8	625,857	537,896	351,896	[illegible]
Dollar value	Oct. 8	$23,460,428	$20,753,844	$14,312,271	$20,035,511
Odd-lot purchases by dealers (customers' sales).					
Number of orders—Customers' total sales	Oct. 8	23,389	24,496	15,141	15,496
Customers' short sales	Oct. 8	182	119	119	75
Customers' other sales	Oct. 8	23,207	24,377	15,022	15,421
Number of shares—Customers' total sales	Oct. 8	654,991	637,455	389,619	412,431
Customers' short sales	Oct. 8	6,484	4,640	4,760	2,983
Customers' other sales	Oct. 8	648,507	632,815	384,859	409,448
Dollar value	Oct. 8	$21,501,537	$20,224,962	$12,680,631	$14,924,113
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 8	242,250	274,410	162,960	117,430
Short sales	Oct. 8	------	------	------	------
Other sales	Oct. 8	242,250	274,410	162,960	117,430
Round-lot purchases by dealers—					
Number of shares	Oct. 8	215,070	202,480	117,330	187,710
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Oct. 18	152.1	152.1	154.0	165.8
Farm products	Oct. 18	159.6	160.1	163.1	186.0
Foods	Oct. 18	160.4	*165.9	164.0	178.1
All commodities other than farm and foods	Oct. 18	144.9	*145.0	145.5	153.5
Textile products	Oct. 18	137.6	*137.7	139.6	148.4
Fuel and lighting materials	Oct. 18	131.2	*131.2	130.3	137.7
Metals and metal products	Oct. 18	169.2	169.2	170.5	172.6
Building materials	Oct. 18	189.3	189.4	189.3	203.5
All other	Oct. 18	116.5	116.4	117.4	135.7
Special indexes—					
Grains	Oct. 18	152.1	156.4	155.2	171.1
Livestock	Oct. 18	197.1	195.5	208.1	252.4
Meats	Oct. 18	218.2	217.5	236.1	254.6
Hides and skins	Oct. 18	201.1	207.8	198.9	203.7

*Revised figure. †Includes 492,000 barrels of foreign crude runs. ‡The weighted finished steel composite was revised for the years 1941 to date. The weights used are based on the average product shipments for the 7 years 1937 to 1940 inclusive and 1946 to 1948 inclusive. §Reflects effect of five-day week effective Sept. 1, 1949.

	Month Latest	Month Previous	Ago Year
ALUMINUM (BUREAU OF MINES)—			
Production of primary aluminum in the U. S. (in short tons)—Month of July	55,777	54,184	52,937
Stocks of aluminum—short tons—end of July	53,809	48,107	11,382
ALUMINUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of August:			
Total shipments (thousands of pounds)	80,201	71,730	135,196
AMERICAN GAS ASSOCIATION — For Month of August:			
Total gas (M therms)	2,133,801	2,083,014	2,086,757
Natural gas sales (M therms)	1,936,205	1,881,669	1,891,882
Manufactured gas sales (M therms)	128,235	140,607	136,264
Mixed gas sales (M therms)	69,361	60,738	58,611
AMERICAN TRUCKING ASSOCIATION— Month of August:			
Number of motor carriers reporting	342	*342	342
Volume of freight transported (tons)	3,497,043	*2,968,818	3,300,796
BANK DEBITS — BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of September (in thousands)	$101,060,000	$98,804,000	$104,754,000
BUSINESS INVENTORIES, DEPT. OF COMMERCE—Month of July (millions of $):			
Manufacturing	$29,692	*$30,304	$30,236
Wholesale	7,830	*7,774	7,930
Retail	12,875	*13,432	13,498
Total	$50,397	*$51,510	$51,664
COPPER INSTITUTE—For month of Sept.:			
Copper production in U. S. A.—			
Crude (tons of 2,000 lbs.)	64,237	*62,279	88,105
Refined (tons of 2,000 lbs.)	79,949	85,577	102,796
Deliveries to customers—			
In U. S. A. (tons of 2,000 lbs.)	103,115	90,739	122,938
Refined copper stocks at end of period (tons of 2,000 lbs.)	193,890	217,167	72,215
COTTON ACREAGE AND PRODUCTION U. S. DEPT. OF AGRICULTURE—As of Oct. 1:			
Acreage	25,907,000	25,907,000	23,003,000
Production 500-lb. gross bales	15,446,000	14,943,000	14,868,000
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (excl. of linters to Oct. 1)	5,309,240	------	5,305,456
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE—Month of September:			
Deliveries (number of cars)	6,141	7,178	Not avail.
Backlog of orders at end of month (number of cars)	22,203	28,731	108,892
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE (AMERICAN HOME LAUNDRY MANUFACTUERS' ASSOCIATION)—Month of August:			
Factory sales of washers (units)	323,789	200,900	362,169
Factory sales of ironers (units)	32,300	17,700	35,203
MAGNESIUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of August:			
Shipments (in pounds)	671,000	748,000	497,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of July (in billions):			
Total personal income	$209.7	*$232.4	$214.5
Wage and salary receipts, total	133.7	*134.0	134.6
Total employer disbursements	135.9	*136.3	136.8
Commodity producing industries	58.1	*58.3	60.7
Distributive industries	40.2	*40.4	39.8
Service industries	17.0	17.1	16.9
Government	20.6	20.5	19.4
Less employee contributions for social insurance	2.2	2.3	2.2
Other labor income	2.1	2.2	2.0
Proprietors' and rental income	44.5	*46.8	50.8
Personal interest income and dividends	17.3	*17.3	16.0
Total transfer payments	12.1	12.1	11.1
Total nonagricultural income	191.1	*191.8	190.2
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of August (000's omitted):			
Savings and Loan associations	$341,374	$305,568	$319,534
Insurance companies	88,578	79,352	84,479
Banks and Trust companies	218,682	193,910	222,673
Mutual Savings banks	67,255	62,343	73,550
Individuals	171,434	160,655	184,270
Miscellaneous lending institutions	167,580	151,692	139,817
Total	$1,054,843	$953,520	$1,024,323
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)— Month of July:			
Net railway operating income	$50,337,003	$61,263,278	$105,256,808
Other income	17,582,020	23,408,718	16,459,269
Total income	67,919,023	84,671,996	121,716,077
Miscellaneous deductions from income	2,482,761	2,582,771	5,056,195
Income available for fixed charges	65,436,262	82,089,225	116,659,882
Income after fixed charges	30,368,994	45,505,179	80,074,462
Other deductions	3,507,934	3,029,253	3,187,978
Net income	26,861,060	42,475,926	76,886,484
Depreciation (way & structures & equip.)	34,029,952	34,029,070	31,221,196
Amortization of defense projects	1,372,672	1,372,995	1,373,752
Federal income taxes	17,434,132	23,749,206	48,854,376
Dividend appropriations:			
On common stock	3,996,045	12,844,577	4,911,593
On preferred stock	6,139,277	1,055,752	1,471,826
Ratio of income to fixed charges	1.87	2.24	3.19
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of September:			
Net sales	------	------	------
Net purchases	$1,572,750	$3,762,350	$7,174,000
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of August: (000's omitted):			
Exports	$880,500	$897,000	$990,000
Imports	490,600	455,500	605,506
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Sept. 30	$256,708,917	$255,879,042	$251,553,319
General fund balance	5,698,886	4,417,886	3,995,156
Computed annual rate	2.224%	2.230%	2.235%
Net debt	$251,010,031	$251,461,156	$247,558,163

*Revised figure.

The Current Business Picture

(Continued from page 7)

favorable side. The automobile industry is the largest consumer of steel and its costs will go up just when Detroit dealers are reporting that discounts off list prices prevail for all makes except Ford and Chevrolet.

How General Situation Shapes Up

Well let's see how the general situation shapes up. The several small setbacks that business has suffered since the end of the war have confounded not a few business forecasters. Once a slide got started they had visions of another 1921, another 1929 or at least a 1937.

So in 1947 they thought we were in for the usual post-war shakedown corresponding to 1920. That little faltering in trade, industry and prices was quickly dispelled under the influence of several major developments—announcement of the Marshall Plan, the short corn crop and the coal-steel settlements.

While these immediate factors probably turned the trend back to the inflation side, I think it is agreed now that the basic influence was the bulging public pocketbook. For instance, the Federal Reserve survey of consumer finances shows that early in 1947 some 31% of the spending units considered themselves "better off" than a year earlier as against only 20% in 1946.

For the year 1949 this survey revealed that the "better off" category had jumped to 33% from 29% in 1948. In giving the highlights of this canvass, the Reserve Board reported:

"Personal incomes rose substantially during 1948 to a new record level, and there were indications that in large part the increases were received by consumer spending units whose incomes had been less than $4,000. The proportion of consumers who felt their financial position was at least as good as, or better than, a year earlier, was larger at the beginning of 1949 than in any recent year, according to interviews taken on a nation-wide basis early this year.

"The possibility of lower prices was widely viewed as a definitely encouraging prospect. Notwithstanding a slight increase during the year in the proportion of consumers reporting no liquid asset holdings the financial position of most consumers was relatively strong, with many having sizable secondary reserves.

"Consumer plans to buy automobiles, other durable goods and houses at the outset of the year were, on the whole, about as large as buying plans reported early in 1948."

That finishes up the quote from the Reserve survey. Mr. Sloan of General Motors expressed gratification recently that the demand for automobiles had held up so nicely. What he might have added was that it is the state of the public pocketbook which is most important when we talk about consumer demand. The next important thing is what consumers think of prices and the values being offered. Because people can have money and at the same time choose not to spend it.

Now disposable personal income, which is personal income minus personal tax and non-tax payments, has been running quite steady. At the half-year mark the reduction was only 1% under the figure at the close of 1948. Personal savings were running at the annual rate of $16 billion or about three-quarters of a billion more than last year.

People Waiting for Lower Prices

One conclusion to be drawn from these figures is that people have the money to spend but are waiting for lower prices and better values. The appliance manufacturers found this out for themselves and there is now a resurgence of demand for refrigerators, cleaners and even radios. Television, of course, is boiling.

The point I am trying to make, however, is that consumer income and savings have provided a major cushion against a real nose-dive in business. There is a big short interest in consumer demand that argues against a real collapse. There have been other cushions, too, which have still to be tested out in a major business slump.

Price supports for agriculture certainly kept the setback in commodity prices early this year within reasonable bounds. Our security markets have not seen the speculative excesses of the Twenties. Banks don't fail these days and the amortizing mortgage has worked wonders in real estate.

These were New Deal schemes which were bitterly criticized when they were proposed and now are accepted as excellent practice and as proper bulwarks for a thriving economy.

Now the peak of our post-war boom was reached about a year ago. The Federal Reserve index of industrial production made 195 in October and stayed there for another month. Then the slide started and by last July the index was 162. Thus, the slump in over-all production was about 17%.

The two chief categories of production behaved differently. In durable goods the peak was made last year in October but non-durables (which include textiles) had established their peak by a small margin in February of 1948.

I hope you don't mind my throwing in a few figures just to keep the record straight. My purpose in referring to the production index is partly to point out that the expected actually came to pass. Soft goods caught up with consumer demand faster than durables for obvious reasons. They had only a small reconversion problem or none at all. In durables the war shortages were more severe and reconversion posed greater difficulties.

Customers Getting Choosy

In both divisions of industry, however, the rush to fill up the pipe-lines had been completed a year ago. The lines were overflowing at prevailing prices. The public began to balk. As merchants put it, their customers got "choosy."

So business inventories hit a peak of $54.8 billion last March but by July had been reduced to $50.4. Manufacturers cut their stocks from $32 billion in February to $29.7 in July. The new order index of the Commerce Department was 265 in September, 1948, and 192 last July or almost 30% lower.

We may criticize the so-called "prophets of doom" who saw little but disaster ahead in the early months of this year but at least the warning signals were raised and what might have been a nasty over-accumulation of goods was avoided.

In fact too much foot pressure was put on the brakes. Production schedules were cut too sharply. Retailers became too cautious in their forward orders. But both manufacturers and merchants were aware that prices would have to be lowered to get "choosy" customers to buy.

July was the bottom of this depression scare. Soon it was discovered that the public was interested in some of the new values which were being offered. Good promotions "clicked" even in the dog days. In the heavy lines it was discovered that plans for new plant and equipment had not been shelved last spring. Shortages showed up here and there.

Starting in late July and August we experienced what has been called an "inventory boomlet" — a move to replenish stocks which had become too low because production had been cut too sharply — and just possibly in some cases with the idea of making prices stick. Retailers who had hoped in June and July to drive better bargains by holding off on orders decided there was no advantage in waiting longer. It occurred to them, perhaps, that stores do business on merchandise and not on vain hopes.

The inventory boomlet, however, has pretty well run its course. Retailers find that sales volume is running below a year ago by wider margins. Manufacturers feel the pressure growing for prices that will attract more business for their customers. The big strikes have aggravated this trend.

Capital Goods Expansion Ebbing

And in the background that staunch prop to high-level operations—capital goods expansion—seems to be ebbing. Last year industry spent better than $19 billion on new plant and equipment. For the first half of this year expenditures ran even a bit higher than in 1948. They were somewhat lower in the third quarter and are dipping faster now. Plans were not shelved but they are being completed.

Temporarily, therefore, industry is finishing up its big building boom which was financed so largely out of earnings. If profits do not fall off too sharply, stockholders will do much better now that the building bills have been paid. But there is still a vast field for cost-reducing plant and machinery and that is why a new treatment of depreciation by our government is so urgent. We cannot sell our most modern equipment abroad and then compete with its product on obsolete machines.

In production, durable equipment which scaled to another $22 billion in 1948, the outlook is for lower purchases. The ratio was 8.6 to gross national product in the first quarter of this year. In 1929, it was 6.1. This classification includes passenger cars used for business, trucks, farm tractors and other machinery and the purchases made by railroads, utilities and mines.

Against the sag in these basic factors of what might be called industrial housekeeping, may be placed the rise in home building. After poking along behind 1948 until May, the June figures showed a jump and the year looks good for an all-time record. The previous peak was way back in 1925 with 937,000 starts.

In the foreign trade field we ought to see more imports and a lower volume of exports as a result of devaluation. But the fact of the matter is that production costs abroad will have to be pared considerably in order to give much effect to the currency changes. The gist of the dollar shortage predicament is that we have learned to lick the world on production costs.

As Milo Perkins, who engineered the successful food stamp plan when he was Surplus Marketing Administrator, put it:

"The so-called dollar shortage is a 'phoney' in terms of semantics. What people in other lands are really saying when they use the phrase is this: that they want more of the goods which can be bought in the United States than they can afford—more than their own production permits them to buy."

Continuing, Mr. Perkins said: "I've had a dollar shortage in my personal affairs many times in my life. All it meant was that I was not earning enough to buy everything I wanted."

The effect of devaluation on our prices will be on the downside mainly because of the rechanneling of export goods into the domestic market. The ECA urges $2 billion a year more in imports. Urging, however, will not take the place of making the right kind of goods at the right prices and for delivery here at the right time.

A Summary of Current Trends

Current trends in business, therefore, might be summed up this way: (1) The public still has money to spend, but is price conscious and choosy; (2) capital goods expansion, main prop of a boom, is ebbing; (3) home building, the second best prop, is still on the upgrade, and (4) foreign trade appears headed towards more imports and less exports. The price effect would be on the downside.

In distribution a significant development is that merchants have finally abandoned the idea that they must accommodate themselves to the shopping ideas of the Gay Nineties when the carriage trade indulged itself in a leasurely round of the fashionable spots. Now the trend is towards "easier and faster transactions." Branch stores, supermarkets, automatic merchandising, all are shaped to today's customers who can't make an avocation of shopping—simply because there's too much else to do.

While the big retailers of the country are quick-stepping along this new line of making it more convenient, faster and better to shop, they still seem to hold to traditional ideas on promotion. As the tempo of retail transactions goes up, it would seem correct to argue that advertising and promotion ought to be stepped up also.

I think much can be said for the theory recently advanced that for every dollar production puts into new plant and equipment, distribution ought to put a dollar into the promotion kitty. What this theory comes to is that we have made the country production great through spending money for more efficient machinery and we must improve our distribution processes through making more and more people want what we produce. And when we jump production to satisfy their wants, they will thereby gain the money to spend on the extras.

Distribution is now entering its engineering age. Warehousing and materials handling have made great strides since the war in the retail field with some startling economies over old methods. But the main field of distribution will always be the satisfaction of human wants and its engineering must be shaped to that purpose.

It is quite worthy of note that as distribution tends toward engineering practice, production finds its new problems in human relations. Industry spent its time on machines—it must now work out better methods of dealing with the men who work those machines.

As the half-way mark of this century approaches, we turn from our machines to our men. Across the seas the Soviet keeps up her shout of "Imperialism" and redoubles her efforts to make machines out of men. We have made, and will keep making, some mistakes like this "bull-headedness" of our steel leaders, but in the long run who can doubt that men mean more, and far more, than machines.

38th Annual Convention of IBA at Hollywood, Fla., Dec. 4-9

(Continued from page 11)

space available, it is recommended that members make arrangements to share their accommodations.

Requests for parlors will be filled to the extent possible. Some parlors have two bedroms adjoining them, but most have only one. The bedrooms adjoining parlors are double rooms.

Arrangements have also been made whereby the Surf Hotel and Seacrest Manor will be available if needed to accommodate any overflow. If there is an overflow, member houses will, to the extent necessary, be limited to two bedrooms at the Hollywood Beach Hotel and their additional representatives will be placed at one of the other hotels.

Both the Surf and Seacrest Manor are attractive smaller hotels, located on the ocean front. The Surf is immediately next door to the Hollywood Beach Hotel. Seacrest Manor is about a three-minute drive from the Hollywood Beach Hotel. Frequent transportation between the two will be provided without charge. Members staying at these hotels will take their meals at the Hollywood Beach Hotel, with the exception that a continental breakfast will be available at Seacrest Manor for those desiring it.

HOTEL REGISTRATION—BAGGAGE

Representatives of the Hollywood Beach Hotel will travel on the convention special trains and will furnish passengers with slips indicating their hotel room numbers. These slips should be presented to the floor clerk on the proper floor, and the floor clerk will turn over the key to the room. It will not be necessary to register.

The hotel's representatives will also furnish passengers with baggage tags filled out with their names and hotel room numbers. One of these tags should be attached to each piece of hand baggage. Then, upon arrival in Hollywood all such baggage will be transported immediately from the station by truck and distributed promptly to the proper hotel rooms.

Those traveling to Hollywood by other means than the special trains should, of course, register at the hotel desk in the regular way.

CONVENTION TRANSPORTATION

Special trains for the convention will be operated from New York and Chicago to Hollywood and return. In addition, special cars will be operated from Cleveland, Detroit, Pittsburgh and St. Louis, and will be attached to the special trains en route. The schedules for these trains and cars will be as follows:

NEW YORK SPECIAL TRAIN

Going

		Eastern Time
Saturday, Dec. 3		
Lv. New York	Pennsylvania RR.	10:20 a.m.
Lv. Newark	Pennsylvania RR.	10:35 a.m.
Lv. North Philadelphia	Pennsylvania RR.	11:55 a.m.
Lv. 30th Street Phila.	Pennsylvania RR.	12:05 p.m.
Lv. Wilmington	Pennsylvania RR.	12:37 p.m.
Lv. Baltimore	Pennsylvania RR.	1:39 p.m.
Lv. Washington	R. F. & P. RR.	2:20 p.m.
Lv. Richmond	Atlantic Coast Line	5:10 p.m.
Sunday, Dec. 4		
Lv. Jacksonville	Florida East Coast Ry.	4:50 a.m.
Ar. Hollywood	Florida East Coast Ry.	10:50 a.m.

(Continued on page 38)

38th Annual Convention of IBA at Hollywood, Fla., Dec. 4-9

(Continued from page 37)

Returning

Friday, Dec. 9		Eastern Time
Lv. Hollywood	Seaboard RR.	4:50 p.m.
Saturday, Dec. 10		
Ar. Richmond	Seaboard RR.	10:50 a.m.
Ar. Washington	R. F. & P. RR.	1:35 p.m.
Ar. Baltimore	Pennsylvania RR.	2:37 p.m.
Ar. Wilmington	Pennsylvania RR.	3:39 p.m.
Ar. 30th Street Phila.	Pennsylvania RR.	4:12 p.m.
Ar. North Philadelphia	Pennsylvania RR.	4:22 p.m.
Ar. Newark	Pennsylvania RR.	5:45 p.m.
Ar. New York	Pennsylvania RR.	6:00 p.m.

CHICAGO SPECIAL TRAIN

Going

Friday, Dec. 2		Central Time
Lv. Chicago (Union Station)	Pennsylvania RR.	1:30 p.m.
Lv. Indianapolis	Pennsylvania RR.	5:50 p.m.
Lv. Louisville	L. & N. RR.	8:30 p.m.
Lv. Nashville	L. & N. RR.	11:58 p.m.
Saturday, Dec. 3		
Lv. Montgomery	Atlantic Coast Line	6:45 p.m.
		Eastern Time
Lv. Jacksonville	Florida East Coast Ry.	4:15 p.m.
Ar. Hollywood	Florida East Coast Ry.	10:15 p.m.

Returning

Friday, Dec. 9		Eastern Time
Lv. Hollywood	Florida East Coast Ry.	8:15 p.m.
Saturday, Dec. 10		
Lv. Jacksonville	Atlantic Coast Line	2:30 a.m.
Ar. Atlanta	Atlantic Coast Line	11:00 a.m.
Ar. Cincinnati	L. & N. RR.	11:15 p.m.
Sunday, Dec. 11		Central Time
Ar. Chicago	Pennsylvania RR.	7:00 a.m.

CLEVELAND SPECIAL CAR

Going

Friday, Dec. 2		Eastern Time
Lv. Cleveland	N. Y. Cent. System	12:20 p.m.
		Central Time
Ar. Indianapolis	N. Y. Cent. System	5:35 p.m.
Lv. Indianapolis	Chicago Special	5:50 p.m.

Returning

Saturday, Dec. 10		Eastern Time
Ar. Cincinnati	Chicago special	11:15 p.m.
Lv. Cincinnati	N. Y. Cent. System	11:50 p.m.
Sunday, Dec. 11		
Ar. Cleveland	N. Y. Cent. System	6:55 a.m.

DETROIT SPECIAL CAR

Going

Friday, Dec. 2		Eastern Time
Lv. Detroit	N. Y. Cent. System	11:00 a.m.
Lv. Toledo	N. Y. Cent. System	12:33 p.m.
		Central Time
Ar. Indianapolis	N. Y. Cent. System	5:35 p.m.
Lv. Indianapolis	Chicago Special	5:50 p.m.

Returning

Saturday, Dec. 10		Eastern Time
Ar. Cincinnati	Chicago Special	11:15 p.m.
Lv. Cincinnati	N. Y. Cent. System	11:30 p.m.
Sunday, Dec. 11		
Ar. Toledo	N. Y. Cent. System	5:00 a.m.
Ar. Detroit	N. Y. Cent. System	7:00 a.m.

PITTSBURGH SPECIAL CAR

Going

Friday, Dec. 2		Eastern Time
Lv. Pittsburgh	Pennsylvania RR.	11:25 p.m.
Saturday, Dec. 3		
Ar. Washington	Pennsylvania RR.	8:00 a.m.
Lv. Washington	New York Special	2:20 p.m.

If there is sufficient demand, a special car will also be operated on the return trip. The schedule will not, however, be determined until it is known whether or not such a car will be operated.

ST. LOUIS SPECIAL CARS

Going

Friday, Dec. 2		Central Time
Lv. St. Louis	N. Y. Cent System	1:00 p.m.
Ar. Indianapolis	N. Y. Cent. System	5:12 p.m.
Lv. Indianapolis	Chicago Special	5:50 p.m.

Returning

Saturday, Dec. 10		Eastern Time
Ar. Cincinnati	Chicago Special	11:15 p.m.
Lv. Cincinnati	N. Y. Cent. System	11:55 p.m.
Sunday, Dec. 11		Central Time
Ar. St. Louis	N. Y. Cent. System	8:00 a.m.

PULLMAN RESERVATIONS

Pullman reservations for the going trips of the special trains and cars should be made through the individuals designated below. These individuals will not, however, be able to handle return Pullman reservations or furnish railroad tickets. Return Pullman reservations should be made at Hollywood. Representatives of the railroads will be at the Hollywood Beach Hotel throughout the convention to handle such reservations. Railroad tickets should be purchased from local ticket agents in accordance with the instructions on the following page.

New York Special Train—Pullman reservations for the going trip should be made through the New York Transportation Committee, of which Norman Smith, of Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y., is Chairman.

Drawing rooms, compartments, and bedrooms will be available. Every effort will be made to assign the type of space requested, but when the supply of any given type has been exhausted, it will be necessary to assign another type instead. When bedrooms are requested, and the supply has been exhausted, it will be necessary to assign a compartment and roommate. Drawing rooms and compartments will not be assigned for single occupancy unless it develops at the last minute that there will be unused space available.

One-way Pullman fares (including Federal tax) to Hollywood are as follows:

	Drawing Room (2 Persons)	Compartment (2 Persons)	Bedroom (1 Person)
New York	$52.44	$38.87	$26.22
Philadelphia	50.26	36.97	25.13
Wilmington	50.26	36.97	25.13
Baltimore	47.84	35.08	23.92
Washington	45.43	33.87	22.71
Richmond	41.52	30.53	20.76

Certificates Covering Pullman Space—Will be issued in lieu of regulation Pullman tickets. Certificates will be mailed if applications are received promptly. Otherwise they may be picked up at the office of Norman Smith prior to 5.00 p.m. on Friday, Dec. 2.

Chicago Special Train—Pullman reservations for the going trip should be made through Charles R. Perrigo, Hornblower & Weeks, 134 S. LaSalle St., Chicago 3, Ill.

Drawing rooms, compartments, bedrooms, and roomettes will be available. Every effort will be made to assign the type of space requested, but when the supply of any given type has been exhausted, it will be necessary to assign another type instead. When bedrooms or roomettes are requested, and the supply has been exhausted, it will be necessary to assign a compartment and roommate. Drawing rooms and compartments will not be assigned for single occupancy unless it develops at the last minute that there will be unused space available.

One-way Pullman fares (including Federal tax) to Hollywood are as follows:

	Drawing Room (2 Persons)	Compartm't (2 Persons)	Bedroom (1 Person)	Roomette (1 Person)
Chicago	$55.09	$40.77	$27.54	$20.24
Indianapolis	48.76	36.40	24.38	18.00
Louisville	46.58	34.44	23.29	17.08
Nashville	41.52	30.53	20.76	15.35
Montgomery	32.78	24.16	16.39	12.02

Certificates Covering Pullman Space—Will be issued in lieu of regulation Pullman tickets. Certificates will be mailed if applications are received promptly. Otherwise they may be picked up at the office of Charles R. Perrigo prior to 12.00 noon on Friday, Dec. 2.

Cleveland Special Car—Pullman reservations should be made through Robert B. Blyth, The National City Bank of Cleveland, East Sixth St. and Euclid Ave., Cleveland 1, Ohio. Drawing rooms, compartments, and bedrooms will be available. One-way Pullman fares (including Federal tax) are as follows:

Drawing Room (2 Persons)	Compartment (2 Persons)	Bedroom (1 Person)
$56.12	$41.40	$28.06

Detroit Special Car — Pullman reservations should be made through Ralph Fordon, Ralph Fordon & Co., Penobscot Bldg., Detroit 26, Mich. Drawing rooms and compartments will be available. One-way Pullman fares (including Federal tax) are as follows:

	Drawing Room (2 Persons)	Compartment (2 Persons)
Detroit	$56.12	$41.40
Toledo	56.12	41.40

Pittsburgh Special Car — Pullman reservations should be made through M. M. Grubbs, Grubbs, Scott & Company, Inc., Union Trust Bldg., Pittsburgh 19, Penna. Drawing rooms and compartments will be available. One-way Pullman fares (including Federal tax) are as follows:

Drawing Room (2 Persons)	Compartment (2 Persons)
$56.12	$41.40

St. Louis Special Cars — Pullman reservations should be made through Harry Theis, Albert Theis & Sons, Inc., 314 N. Fourth St., St. Louis 2, Mo. Drawing rooms and compartments will be available. One-way Pullman fares (including Federal tax) are as follows:

Drawing Room (2 Persons)	Compartment (2 Persons)
$51.41	$38.30

RAILROAD TICKETS

Railroad tickets should be purchased from local ticket agents. They will be able to advise as to fares and as to the form of ticket best suited to individual needs.

It is important that railroad tickets for the special trains and cars be routed so as to conform with the routes set forth in the above schedules; and it is suggested that, in purchasing railroad tickets, this bulletin be shown to the ticket agent to assure proper routing. It should be noted in this connection that round trip fares do not ordinarily apply when the Florida East Coast Railway is used in one direction and the Seaboard Railroad in the other. Accordingly, to provide for those travelling to and from the convention, a special tariff will be in effect under which round trip fares will apply. Ticket agents will be on notice concerning this special tariff.

For the information of members, round-trip railroad fares (including Federal tax) to Hollywood from points served by the special trains and cars are given below.

Baltimore	$86.05	New York	$103.05
Chicago	101.37	Philadelphia	94.79
Cleveland	106.55	Pittsburgh	108.96
Detroit	106.55	Richmond	74.06
Indianapolis	91.98	St. Louis	106.95
Louisville	81.19	Toledo	101.49
Montgomery	52.44	Washington	82.51
Nashville	69.98	Wilmington	92.49

Illinois Pwr. Stock Placed on Market

Offering of 239,601 additional shares of common stock of Illinois Power Co. was made Oct. 21 to the company's stockholders at a subscription price of $31.50 per share on a one-for-eight basis. Transferable subscription warrants expire at 3 p.m. on Nov. 3. The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane will act as representatives of a group of underwriters which will purchase any unsubscribed portion of the shares being offered.

Proceeds from the sale of additional common will be used to retire outstanding short term bank loans aggregating $5,000,000 on Oct. 17, 1949, made to finance construction expenditures and the balance for new construction.

The company's large construction program is designed to effect substantial operating economies by increasing the capacity of its generating plants from the present level of 160,000 kilowatts to 517,000 kilowatts during 1953 or 1954, involving gross expenditures of approximately $68,000,000. Under the program, it is expected that the company will be able to produce after 1950 practically all of its power requirements compared to the purchase of approximately 90% of those requirements prior to September, 1947.

Dividends have been paid on the common stock at the quarterly rate of 50 cents per share during the two-year period ending Aug. 1, 1949, and a dividend of 55 cents per share, payable Nov. 1, 1949, puts the stock on a $2.20 annual basis. At the conclusion of the current sale, the company will have outstanding 2,156,406 common shares, in addition to $10,000,000 par value of 4.70% preferred and $85,233,000 of funded debt.

Total operating revenues for the 12 months ended Aug. 31, 1949, amounted to $39,570,173, of which approximately 81% was from electric sales, and net income $6,734,937.

John T. Wall Dead

John Thomas Wall, treasurer of R. S. Dickson & Co., Inc., Charlotte, N. C., died Oct. 23. Mr. Wall, who came to Charlotte in 1942 from New York City, was also treasurer of the Rudick Corporation and was assistant treasurer of the Cuba International Textile Corporation.

Frank V. Ernst Dead

Frank Vincent Ernst, Assistant Cashier of W. E. Hutton & Co., New York City, died of a heart ailment at the age of 49, after a brief illness.

Raymond Palmer & Assoc.

ALBANY, N. Y.—Raymond D. Palmer & Associates has been formed with offices at 342 Hackett Boulevard to engage in the securities business. Raymond D. Palmer is sole proprietor.

Irving Gaumont Opens

Irving Gaumont is engaging in a securities business from offices at 319 West 48th Street, New York City.

Now Knapp and Company

CEDAR RAPIDS, IOWA—Russell F. Knapp is now sole proprietor of Knapp and Company, Merchants National Bank Building. Mr. Knapp was formerly a partner in Knapp and Johnson.

F. M. Van Eck in NYC

F. M. Van Eck has opened offices at 953 Fifth Avenue, New York City, to engage in the securities business.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● American Bosch Corp., Springfield, Mass.
Oct. 20 filed $4,000,000 of sinking fund debentures, due 1964. **Underwriter**—Allen & Co., New York. **Proceeds**—To repay bank loans and for general corporate purposes.

● American Mercury Insurance Co., Washington, D. C.
Oct. 17 (letter of notification) 109,000 shares ($1 par) capital stock. **Price**—$2.70 each. **Underwriter** — J. G. Lawlor Co., Washington. For investments.

Anchor Mines, Inc., Los Angeles, Calif. (11/1)
Sept. 26 (letter of notification) 296,000 shares (25c par) common stock. **Price**—$1 each. **Underwriter**—Hunter & Co., New York. To rehabilitate mill and mill machinery and to pay current indebtedness. Tentatively expected Nov. 1.

● Associated Telephone Co., Ltd. (11/15)
Oct. 18 filed $9,000,000 of Series F first mortgage bonds, due 1979. **Underwriter**—To be decided under competitive bidding. **Probable** bidders: Halsey, Stuart & Co. Inc., Paine, Webber, Jackson & Curtis; White, Weld & Co., Kidder, Peabody & Co. and Shuman, Agnew & Co. (jointly). **Proceeds**—Construction program. Bids expected about Nov. 15.

● Atlantic Can Co., Delaware, N. J.
Oct. 24 (letter of notification) 25,000 shares of common stock (par $1). **Underwriter** — Pulis, Dowling & Co. **Price**—$3 per sare. Retire bank loans, etc.

Barclay Oil Co., Inc., Mt. Carmel, Ill.
Oct. 13 (letter of notification) 2,000 shares of non-convertible ($100 par) value preferred stock and 6,000 shares ($1 par) common stock. To be offered in units of one share of preferred and two of common stock at $102 a unit. **Underwriter**—Sterling, Grace & Co., New York. To acquire oil leases and drill wells.

Berry Motors, Inc., Corinth, Miss.
Oct. 5 (letter of notification) 6,600 shares (no par) common stock. To be sold for R. Howard Webster, Montreal, Canada, at market (between $13 and $15). **Underwriter**—Gordon Meeks & Co., Memphis, Tenn.

● Black Hills Power & Light Co., Rapid City, S. D.
Oct. 25 filed 33,730 shares ($1 par) common stock. **Offering**—To be sold to common stockholders at the rate of one new share for each five held. **Underwriter**—Dillon, Read & Co., N. Y. **Proceeds**—For construction.

Canam Mining Corp., Ltd., Vancouver, B. C.
Aug. 29 filed 1,000,000 shares of no par value common stock. **Price**—800,000 shares to be offered publicly at 80 cents per share; the remainder are registered as "bonus shares." **Underwriter**—Israel and Co., New York, N. Y. **Proceeds**—To develop mineral resources.

Capital Airlines, Inc.
Oct. 12 filed $3,700,000 series A 4% debentures due 1960 and $3,700,000 of series B 4% convertible income debentures, due 1960. **Offering**—Series A and series B debentures are to be offered in exchange for the $7,400,000 of outstanding 3½% convertible income debentures, due 1960. **Underwriting** — None. This exchange offer is to liberalize indenture terms.

Carolina Telephone & Telegraph Co., Tarboro, North Carolina
Sept. 28 filed 29,750 shares ($100 par) common capital stock. **Offering**—Offered to stockholders of record Oct. 19 at rate of two new shares for each five held at $100 per share. Rights expire Nov. 8. **Proceeds**—To reduce indebtedness resulting from construction and for general corporate purposes. **Underwriting**—None.

Central Maine Power Co. (11/7)
Oct. 5 filed $5,000,000 first and general mortgage bonds, due 1979. **Underwriter**—To be decided by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Coffin & Burr and The First Boston Corp. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); White, Weld & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Otis & Co.; Shields & Co. Bids expected Nov. 7.

Central Maine Power Co. (11/7)
Oct. 12 filed 200,548 shares ($10 par) common stock and 30,000 shares ($100 par) preferred stock. **Offering**—Common will be offered for subscription by common and preferred stockholders in ratio of one new common for each 10 common shares held and one new common for each two preferred shares held. New England Public Service Co. (holder of 66.53% of outstanding common) has waived its right to subscribe for 131,518 common shares. **Underwriters**—To be decided under competitive bidding. Probable bidders: Preferred—Salomon Bros. & Hutzler; Harriman Ripley & Co.; W. C. Langley & Co.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). Common—Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co. **Proceeds**—To repay bank loans incurred for construction program and to further construction. Bids expected Nov. 7.

Central & South West Corp. (11/2)
Oct. 13 filed 725,567 shares ($5 par) common stock. **Offering**—To be offered common stockholders of record Nov. 2 at rate of one share for each 10 held. Rights will expire Nov. 18. **Underwriters**—To be determined by competitive bidding. Probable bidders include Lehman Brothers and Lazard Freres & Co. (jointly); Blyth & Co.; Smith, Barney & Co. and Harriman Ripley & Co. (jointly); Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co.; Ladenburg, Thalman & Co.; Wertheimer & Co. (jointly). **Proceeds**—To buy additional common stock in two subsidiaries as a means of helping them with construction programs. **Bids**—Bids for purchase of unsubscribed stock will be received by company at 20 W. Wacker Drive, Chicago, up to 11 a.m. (CST) Nov. 2.

● Color Television, Inc., Bloomfield, N. J.
Oct. 21 (letter of notification) 2,200 shares of capital stock (no par). **Price**—$12 per share. No underwriter. Purchase of television receivers, advertising, etc. Office, 290 Bloomfield Avenue, Bloomfield, N. J.

Colorado Oil & Gas Co., Alamosa, Colo.
Aug. 30 (letter of notification) 250,000 shares ($1 par) common stock, of which 200,000 will be sold for company and 50,000 shares for N. O. Yeakley, a controlling stockholder, at $1 each. **Underwriter**—W. C. Hitchman Co., New York. To lease properties, drill wells, and for working capital.

Combined Locks Paper Co. (10/31)
Sept. 28 filed 50,000 shares of class A common stock ($1 par). **Underwriter**—Hemphill, Noyes, Graham, Parsons & Co., New York. **Proceeds**—Offering by stockholders and not by company.

● Concord Fund, Inc., Boston
Oct. 24 filed 200,000 shares of capital stock. **Underwriter**—A. E. Weltner & Co., Inc., Kansas City, Mo. **Business**—A diversified management investment company.

Consolidated Caribou Silver Mines, Inc.
March 30 filed 376,250 shares (no par) common stock. **Price**—$2.50 per share. An additional 50,000 shares will be sold to the underwriter at $1 per share for investment. **Underwriter**—William L. Burton & Co., New York. **Proceeds**—To develop mining properties. Temporarily postponed.

● Consolidated Engineering Corp., Pasadena, California
Oct. 18 (letter of notification) 100 shares ($1 par) common stock. To be sold at $5 each to Francis L. Vore, Monrovia, Calif. No underwriter. For working capital.

● Danielson (Conn.) Manufacturing Co.
Oct. 17 (letter of notification) 244 shares ($100 par) common stock. To be sold by John E. Holt, Hampton, Conn., President. **Underwriter**—Coburn & Middlebrook, Hartford, Conn.

Detroit Edison Co., Detroit (11/9)
Oct. 14 filed 699,743 shares ($20 par) common stock. **Offering**—To be offered to stockholders of record Nov. 9 at $20 per share on the basis of one new share for each 10 held. Rights will expire Dec. 5. **Underwriting**—None. **Proceeds**—To repay bank loans for construction and for additional construction.

● Diamond Screw & Bolt Corp., Newark, N. J.
Oct. 25 (letter of notification) 150,000 shares of common stock (par $1). Price, par. No underwriting. To establish manufacturing plant, working capital, etc.

● Eastern Stainless Steel Corp., Baltimore, Md.
Oct. 17 (letter of notification) 3,000 shares of common stock. Price, market (about $10 each). **Underwriter**—Hornblower & Weeks, New York. Proceeds to selling stockholder.

● Government Employees Corp., Washington, D. C.
Oct. 13 (letter of notification) 30,000 shares ($5 par) common stock. **Price**—$10 each. To be sold to present stockholders of Government Employees Insurance Co. No underwriter. To set up auto loan business.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 31 filed 620,000 shares of class A participating ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment, and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 135,000 shares plus unsubscribed shares of the new common. Offering price of class A $5. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

Hallicrafters Co., Chicago
Oct. 12 (letter of notification) 2,000 shares of common stock, to be sold by Raymond W. Durst, Vice-President, at market (about $4.25). **Underwriter**—Doyle, O'Connor & Co.

Hawaiian Electric Co., Ltd., Honolulu
June 21 filed 150,000 shares of series E cumulative ($20 par) preferred and 50,000 shares of ($20 par) common. **Offering**—Preferred will be offered to preferred holders at 1-for-3 rate and common will be offered to common stockholders at 1-for-9 rate. **Underwriters**—Dillon, Read & Co. Inc. and Dean Witter & Co. will buy unsubscribed preferred; unsubscribed common will be sold either at public auction or to the underwriters. **Proceeds**—To pay off short-term promissory notes and to carry merchandise inventories and receivables or to replenish treasury funds. The balance would be used for other corporate purposes or construction.

Insurance Co., of Florida, Miami, Fla.
Sept. 7 (letter of notification) 12,000 shares ($10 par) common stock. **Price**—$25 each. **Underwriter**—Atwill & Co., Miami Beach. To complete formation of a stock insurance company. Office, 139 N. E. 1st Street, Miami, Fla.

Interstate Power Co., Dubuque, Iowa (11/1)
Oct. 10 filed 300,000 shares ($3.50 par) common stock. **Underwriters**—To be determined under competitive bidding. Probable bidders include Smith Barney & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.; Harriman Ripley & Co. **Proceeds**—Construction. **Bids**—Bids for purchase of the stock will be received by company at Chase National Bank, New York, up to 11:30 a.m. (EST) Nov. 1.

Interstate Telephone Co., Spokane, Wash.
Sept. 26 (letter of notification) 1,321 shares of $5.50 cumulative preferred voting stock ($100 par). **Underwriters**—Pacific Northwest Co.; Paine, Rice & Co.; Murphy Favre, Inc., and Richards & Blum., Spokane, Wash. To redeem outstanding $6 preferred stock at $110 a share.

Keller Motors Corp., Huntsville, Ala. (11/1-4)
May 10 filed 5,000,000 shares (3¢ par) common. **Underwriter**—Greenfield, Lax & Co., Inc., New York. **Price**—$1 per share. **Proceeds** — To purchase additional plant facilities, tools, dies, jigs, etc.; the balance for working capital. Statement effective Oct. 3. Expected week of Nov. 1.

● Kentucky Oil & Distributing Corp., Monticello, Kentucky
Oct. 19 (letter of notification) 116,223 shares (10¢ par) capital stock, of which 33,000 shares will be sold at 10 cents each, 33,223 shares at 25 cents each and 50,000 shares at par value in partial payment for oil and gas leases. No underwriter. For additional working capital and additions to refinery.

Kentucky Utilities Co., Lexington, Ky.
Oct. 4 filed 165,500 shares ($10 par) common stock and 25,000 shares of 4¾% cumulative preferred stock ($100 par). Common stock will be offered for subscription by stockholders and employees at $10 a share and will not be underwritten. **Underwriter** — For preferred: To be determined under competitive bidding. Probable bidders: Kidder, Peabody & Co.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner and Beane (jointly); A. G. Becker & Co.; White, Weld & Co. **Proceeds**—For construction.

● Keystone Custodian Funds, Boston
Oct. 21 filed 100,000 shares of Series S-4; 500,000 shares of Series B-3; 700,000 shares of Series B-4; 400,000 shares of Series K-1; 20,000 shares of Series S-1, all in separate registrations. **Underwriter** — Only the 100,000 shares of S-4 have an underwriter, viz: The Keystone Co. of Boston.

Kittanning (Pa.) Telephone Co.
Sept. 14 (letter of notification) 3,000 shares of capital stock (par $25). Price, $45 per share. Stock will be offered Oct. 1 to stockholders of record Sept. 17 in ratio of one-for-eight. Rights expire Nov. 1, after which shares not subscribed for will be offered to employees and unsubscribed shares will be offered Nov. 8 to public in area in which company serves. Finance expansion program. No underwriting.

McCormick & Company, Inc., Baltimore, Md.
Oct. 12 (letter of notification) 600 shares of 5% cumulative preferred stock ($100 par) and 6,000 shares (no par) non-voting stock and 10,000 shares no par) voting stock. **Price**—Preferred, par; voting and non-voting stock, $15 per share. **Underwriter**—Alex. Brown & Sons, Baltimore will offer 1,000 shares of non-voting common stock for working capital.

(Continued on page 40)

NEW ISSUE CALENDAR

October 31, 1949

Combined Locks Paper Co.	Common

November 1, 1949

Anchor Mines, Inc.	Common
Interstate Power Co., 11:30 a.m. (EST)	Common
Keller Motors Corp.	Common
Resort Airlines, Inc.	Common
Union Electric Co. of Mo., noon (EST)	Preferred

November 2, 1949

Central & South West Corp. 11 a.m. (CST)	Common

November 7, 1949

Central Maine Power Co.	Bonds, Pref. & Common

November 9, 1949

Detroit Edison Co.	Common
Wabash RR.	Equip. Trust Ctfs.

November 15, 1949

Associated Telephone Co., Ltd.	Bonds
Pennsylvania Electric Co.	Bonds, Pref.

November 17, 1949

New England Electric System	Common

November 21, 1949

Southern Colorado Power Co.	Common

November 23, 1949

American Natural Gas Co.	Common

December 5, 1949

Steiner Paper Corp., 3:30 p.m. (EST)	Common

(Continued from page 39)

● **Madison (Wis.) Gas & Electric Co.**
Oct. 20 filed $3,000,000 first mortgage bonds, due 1979, and 55,361 shares ($16 par) common stock. **Underwriter:** Bonds to be offered under competitive bidding. Probable bidders include Halsey Stuart & Co. Inc.; Otis & Co.; Salomon Bros. & Hutzler; The First Boston Corp.; Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co.; Union Securities Corp.; Equitable Securities Corp.; Lehman Brothers. **Offering** — Stock is to be offered to present stockholders at the rate of one new share for each five held at $22 a share. **Proceeds** — To retire $2,800,000 of promissory notes and for expansion of facilities.

● **Mankato (Minn.) Citizens Telephone Co.**
Oct. 17 (letter of notification) 1,600 shares (no par) common stock. To be sold to stockholders at $47 each. No underwriter. To buy new switchboard and make expansions to phone system.

Marysvale Uranium Development, Inc., Salt Lake City, Utah
Oct. 5 (letter of notification) 1,000,000 shares of capital stock. **Price** — 10 cents each. **Underwriter** — Arthur Blake Thomas, Salt Lake City. To prospect for uranium and other minerals.

Mercantile Acceptance Corp. of California
Sept. 8 (letter of notification) $100,000 4% 10-year debentures. **Underwriter**—Guardian Securities Corp., San Francisco. For general corporate purposes.

Minnesota Mining & Manufacturing Co.
Oct. 19 filed 75,000 shares (no par) common stock. **Offering**—To be sold to employees of the company and five wholly-owned subsidiaries. **Underwriters** — None. **Proceeds**—To buy in debentures or $4 preferred stock.

Missouri Power & Light Co.
Oct. 14 filed $2,000,000 of first mortgage bonds, due 1979, and 20,000 shares of cumulative preferred stock ($100 par). **Underwriters**—To be decided under competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp.; Glore, Forgan & Co.; White, Weld & Co. and Shields & Co. (jointly); Kidder, Peabody & Co. (bonds only); Equitable Securities Corp. (bonds only); W. C. Langley & Co.; Harriman Ripley & Co.; Salomon Bros. & Hutzler (preferred only). **Proceeds**—To retire unsecured promissory notes and reimburse treasury for construction purposes.

Nash Finch Co., Minneapolis, Minn.
Oct. 3 (letter of notification) 800 shares of common stock. Price, between $15 and $17. To be sold by W. K. Nash, a Director. **Underwriter**—J. M. Dain & Co., Minneapolis.

New England Electric System, Boston (1/17)
Oct. 14 filed 669,508 shares ($1 par) common stock. **Offering**—To be offered to stockholders of record Nov. 16 at the rate of one new share for each 10 held. **Underwriter**—To be decided under competitive bidding. Probable bidders for common include Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. and Goldman, Sachs & Co. (jointly); Blyth & Co., Inc. and Lehman Brothers (jointly). **Proceeds**—For additional investment in the common stock of subsidiary companies so that the subsidiaries can finance construction programs. Bids expected Nov. 17.

New Jersey Power & Light Co.
June 9 filed 20,000 shares ($100 par) cumulative preferred stock. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Kidder, Peabody & Co.; Smith, Barney & Co.; W. C. Langley & Co.; Lehman Brothers. **Proceeds**—Will be applied to the payment of the cost of, or in reimbursement of payments made for, construction of additions and betterments subsequent to April 30, 1949. Sale deferred until later this year.

Northern Ohio Telphone Co., Bellevue, Ohio
Sept. 23 filed 13,575 shares 4½% cumulative preferred stock ($100 par). **Underwriters**—Lawrence Cook & Co. and Cunningham & Co., Cleveland. Price, par. **Proceeds**—To reimburse company for funds spent to buy 22,574 shares of common capital stock of Star Telephone Co., Ashland, Ohio.

● **Northern States Power Co. (Minn.)**
Oct. 24 filed 1,584,238 shares (no par) common stock. **Offering**—To be offered to stockholders at the rate of one new share for each six now held. **Underwriter**—To be determined under competitive bidding. Probable bidders: Smith, Barney & Co.; White Weld & Co. and Glore, Forgan & Co. (jointly); Lehman Brothers and Riter & Co. (jointly). **Proceeds**—To repay bank notes issued for construction purposes.

● **Ohio Public Service Co., Cleveland**
Oct. 21 filed 2,000,000 shares ($7.50 par) common stock. **Underwriter** — Cities Service Co., which is selling this stock, has asked the SEC for exemption from competitive bidding requirements in order to negotiate an underwriting. Probable underwriters: Merrill Lynch, Pierce, Fenner & Beane, Blyth & Co., Inc.

Pacific Finance Corp. of California
Oct. 7 filed 19,750 shares ($10 par) common stock. **Offering**—To be sold at $18 per share under a stock option plan for which options were issued on May 2, 1947. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Pennsylvania Electric Co. (11/15)
Oct. 6 filed $11,000,000 first mortgage bonds, due 1979, and 70,000 shares of series D cumulative preferred stock ($100 par). **Underwriters** — Competitive bidding. Probable bidders for preferred: Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Smith, Barney & Co.; W. C. Langley & Co., and Glore Forgan & Co. (jointly); Harriman Ripley & Co. For bonds: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co.; The First Boston Corp.; Equitable Securities Corp.; Kidder, Peabody & Co.; Kuhn, Loeb & Co., Lehman Brothers and Drexel & Co. (jointly). Bids expected Nov. 15.

Power Petroleum Ltd., Toronto Canada
April 25 filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27.

Public Service Co. of Indiana, Inc.
Sept. 12 filed 81,744 shares of common stock (no par). **Offering**—To be offered to stockholders of Southeastern Indiana Power Co. in exchange for 5½% cumulative preferred stock (par $100) and common stock (par $10) on basis of 4½ shares common Public Service for one preferred share Southeastern and 1½ shares Public Service for one common share Southeastern. **Underwriter**—None.

● **Reed-Prentice Corp., Worcester, Mass.**
Oct. 17 (letter of notification) 5,000 shares ($2.50 par) common stock. To be sold at the prevailing market price by Charles S. Payson, New York City, a director. **Underwriter**—J. P. Marto & Co., Boston, will buy this stock from Payson at $4 a share and resell it to Walter J. Connolly & Co., Inc., Boston, at $4.50 a share for public offering at the market price.

Resort Airlines, Inc. (11/1-4)
July 27 (letter of notification) 54,000 shares ($1 par) common stock, of which 50,000 shares offered by company and 4,000 shares by George B. Wilkinson, Charlotte, N. C. **Underwriter**—Marx & Co., New York. **Price**—$5 per share. To be used for equipment and additional working capital in connection with the company's air cruise service.

Smith, Inc., Fargo, N. D.
Oct. 12 (letter of notification) 2,000 shares of 6% cumulative preferred stock ($25 par) and 15,500 shares ($5 par) common stock. **Price**—Preferred to be sold at $25 and common at $7.75. **Underwriter**—W. R. Olson Co., Fergus Falls, Minn. To retire bank loans.

Southern Colorado Power Co. (11/21)
Oct. 17 filed 170,336 shares (no par) common stock. **Offering**—To be offered stockholders at the rate of one new share for each three held. **Underwriter**—Boettcher & Co and Bosworth, Sullvan & Co., Denver, and Hutchinson & Co., Pueblo, Colo. **Proceeds**—To repay bank loans and for construction. Tentatively expected Nov. 21.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriting**—None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development.

Union Electric Co. of Missouri (11/1)
Sept. 30 filed 150,000 shares of cumulative preferred stock (no par). **Underwriter**—To be determined under competitive bidding. Probable bidders: Dillon, Read & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp.; Lehman Brothers. **Proceeds**—For construction. **Bids**—Bids for purchase of stock will be received up to noon (EST) Nov. 1 at Room 1901, 60 Broadway, New York.

Union Oil Co. (Calif.)
Oct. 17 filed 600,000 shares ($25 par) common stock. **Proceeds**—The shares are to be issued in partial payment for all of the 35,000 outstanding shares of capital stock of the Los Neitos Co., an oil producing company. Balance of the purchase price is $22,400,000 in cash. This will be obtained from the sale of $40,000,000 of 2¾% 25-year promissory notes to a limited number of institutional investors. Proceeds of the sale of the notes will also be utilized to retire $14,600,000 of the company's 3% debentures due Jan. 1, 1967.

United Minerals Reserve Corp., Chicago
July 27 (letter of notification) 270,000 shares of common stock. **Price**—$1 each. **Underwriter**—Edward W. Ackley & Co., Boston. For development of mining properties.

Upper Peninsula Power Co.
Sept. 28 filed 154,000 shares of common stock (par $9). **Underwriters**—SEC has granted exemption from competitive bidding. An investment banking group managed by Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane, and Paine, Webber, Jackson & Curtis, may be underwriters. **Proceeds**—Will go to selling stockholders. Consolidated Electric & Gas Co. and Middle West Corp. will sell 120,000 shares and 34,000 shares, respectively.

Western Arkansas Telephone Co., Russellville, Ark.
Aug. 16 (letter of notification) 1,000 shares of 6% cumulative non-participating preferred stock (par $100 per share). **Underwriter**—Lewis W. Cherry Co., Little Rock, Ark. **Proceeds**—To pay indebtedness for equipment and supplies.

● **Western Light & Telephone Co., Kansas City, Kansas**
Oct. 19 (letter of notification) 14,162 shares ($10 par) common stock. To be offered to stockholders at $21 each. No underwriter. For construction.

York (Pa.) County Gas Co.
Sept. 23 (letter of notification) 6,000 shares of common stock (par $20). To be offered for subscription by stockholders of record Oct. 14 in ratio of 1/5th of a new share for each share held, at $50 per share. Rights expire Nov. 1. For improvements, extensions, etc. Not underwritten.

Prospective Offerings

● **American Natural Gas Co. (11/23)**
Oct. 24 company asked SEC permission to issue 276,805 common shares, to be offered to common stockholders of record Nov. 23 on a 1-for-10 ratio. Rights will expire Dec. 12. Registration statement is expected to be filed Oct. 28 and bids are expected to be received Nov. 23. Probable bidders: Blyth & Co., Inc.; Lehman Brothers; Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

Butterfield (W. S.) Theatres, Inc.
The Paramount Pictures Inc. invites offers for the purchase of the following stock which it now owns: 37,500 shares of class B stock of W. S. Butterfield Theatres, Inc., and 6.940 shares of class B stock of Butterfield Michigan Theatres Co. Inquiries should be addressed to Sidney M. Markley, Paramount Pictures Inc., 1501 Broadway, New York 18, N. Y.

W. S. Butterfield Theatres, Inc., class B stock represents 25.8079% of outstanding stock and is all of the outstanding class B stock. This stock is entitled to elect one-third of the board of directors. W. S. Butterfield Theatres, Inc., owns and/or leases 65 theatres in 18 of the larger towns of Michigan, except Detroit, and has interests through subsidiaries in 26 theatres in nine similar towns.

Butterfield Michigan Theatres Co. class B stock represents 33⅓% of the outstanding stock and is all of the outstanding class B stock. The stock is entitled to elect one-third of the board of directors. Butterfield Michigan Theatres Co. owns and/or leases 20 theatres in 10 of the smaller towns of Michigan, and has an interest through a subsidiary in two theatres in one similar town.

● **Central Hudson Gas & Electric Corp.**
Oct. 25 stockholders approve the issue and sale of $6,000,000 of convertible debentures. Probable bidders: Union Securities Corp, Salomon Bros. & Hutzler and Spencer Trask & Co. (jointly); The First Boston Corp.; Drexel & Co. and Stroud & Co. (jointly); White Weld & Co. and Stone & Webster Securities Corp. (jointly); W. C. Langley & Co.; Harriman, Ripley & Co.; Shields & Co.; Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Otis & Co.

● **Clinton Industries, Inc.**
Nov. 14 stockholders will vote on changing name to Clinton Foods Inc.; and on approving sale to public of $5,000,000 convertible preferred stock (par $100) as well as of private sale to Equitable Life Insurance Society of the United States of $2,500,000 additional bonds. Principal underwriter of stock: Newhard, Cook & Co., St. Louis.

Derby Gas & Electric Corp.
Oct. 14 requested SEC authorization to issue and sell such number of common shares (no par) as will yield about $295,000. Sale is exempt from SEC's competitive rule and shares will be sold through underwriters, probably Allen & Co.

● **Dow Chemical Co.**
Oct. 25 directors approved the sale of 175,000 shares of common stock, of which 70,000 shares will be reserved for sale to employees. Traditional underwriter, Smith, Barney & Co.

Food Fair Stores, Inc.
Dec. 30 stockholders will vote on a proposal to raise the authorized indebtedness from $5,000,000 to $12,000,000. The increase is designed to finance expansion of company's supermarket chain which extends from New York to Florida. Probable underwriter: Eastman, Dillon & Co.

● **Hexene-Ol Laboratories, Inc.**
Oct. 24 reported Saunders, Stiver & Co., Cleveland, was expected to offer this week 28,000 class A shares of stock at $5.30 per share.

● **Iowa Power & Light Co.**
Oct. 21 company asked SEC authority to issue and sell at competitive bidding $7,500,000 first mortgage bonds due Dec. 1, 1979. Bidders may include Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co.; Union Securities Corp. and Glore, Forgan & Co. (jointly); The First Boston Corp.; Smith, Barney & Co.; Equitable Securities Corp.

● **Kansas City Power & Light Co.**
Oct. 25 company announced that it plans to sell $10,500,000 of additional common stock and $20,000,000 of funded securities. Proceeds would be used in its $55,000,000 expansion program planned for completion in 1952. Company plans are to sell $5,000,000 of common stock this year and the balance probably would not be issued until 1951. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Shields & Co. and White, Weld & Co. (jointly); Smith, Barney & Co.

● **Louisville Gas & Electric Co.**
Oct. 19 company asked the Kentucky P. S. Commission for permission to issue $41,000,000 30-year bonds at competitive bidding. Most of the money from the new bonds would be used to pay off all the company's present bonds. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers and Blyth & Co., Inc. (jointly).

● **Middle South Utilities, Inc.**
Oct. 19 Electric Bond & Share Co. asked SEC authority to offer to its common stockholders of record Nov. 30 rights to purchase at $12 a share, 656,000 shares of Middle South Utilities, Inc., common stock at rate of one share of Middle South common for every eight shares of Bond & Share common. The rights offering will not be underwritten.

● **Rochester Gas & Electric Corp.**
Oct. 26 reported corporation plans to issue approximately 119,300 additional common shares early in December through rights to present common shareholders on the basis of one new share for each seven held. The offering is expected to be underwritten by a nationwide group of 700 security dealers, headed by four New York investment banking firms, viz.: The First Boston Corp.; Lehman Brothers; Wertheim & Co. and Merrill Lynch, Pierce, Fenner & Beane, and four Rochester firms, viz.: George D. B. Bonbright & Co.; Sage, Rutty & Co., Inc.; Erickson, Perkins & Co. and Little & Hopkins, Inc.

South Carolina Electric & Gas Co.
On Oct. 11, company announced plans to issue and sell $10,700,000 in bonds in 1950, 1951 and 1952, $3,000,000 in equity securities in 1950 and $3,000,000 in common stock in 1952, the proceeds to be used to finance in part its $34,000,000 expansion program in the five years from 1949 to 1953. The balance of the funds needed will be obtained from internal sources, including depreciation reserves.

● **Southern California Edison Co.**
Oct. 26 rumored that company may possibly refund its $30,000,000 3¼% bonds of 1964. Probable bidders: The First Boston Corp.; Blyth & Co.; Shields & Co.

● **Steiner Paper Corp. (12/5)**
The Attorney General of the United States of America is inviting sealed bids for the purchase from him at public sale, as an entirety, of 575 shares of capital stock of the corporation. The 575 shares constitute 100% of the issued and outstanding capital stock of the company. The stock is held by the Attorney General as a result of vesting action under Vesting Order dated Jan. 20, 1948, pursuant to the Trading with the Enemy Act. All bids must be received at the Office of Alien Property, Department of Justice, 120 Broadway, New York, by 3:30 p.m. (EST) Dec. 5.

Wabash RR. (11/9)
Oct. 10 reported company planning the sale of $3,465,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly). Bids expected about Nov. 9.

● **Wisconsin Central Airlines**
Oct. 20 reported company may do some financing for the purpose of expanding its present routes with larger planes. Probable underwriter: Loewi & Co.

Our Reporter's Report

Sale by Transamerica Corp. of approximately half its holdings in Bank of America, NTSA, involving a total of about $54,200,000, even though handled by one of the greatest investment banking and distribution aggregations in history, provided other seekers of new money with formidable competition in the past week.

This huge block of stock, 1,199,554 shares priced at $45.25 a share, had all the earmarks of a "quickie" by contrast with several of the corporate bond issues brought out in the period. The first day brought out inquiries for upward of 90% of the total and it appeared likely that the managing firms would be able to announce completion of the sale within a reasonably short time.

Meanwhile, there were indications that new debt issues were meeting with less impressive reception among investors, chiefly of the institutional variety of course. Duquesne Light Co.'s $15,000,000 of new 30-year first mortgage bonds, which were bid in as 2⅝s by the successful banking group, the first time that low coupon has been fixed in many months, bore all the indications of a "worker."

Priced for reoffering at 100.52 to yield about 2.60%, inquiry for this issue was reported noticeably slow in the initial stages. It appeared that some investment bankers are more impressed, momentarily, with the easy money operations of the Treasury and the Federal Reserve Board than are those to whom they must sell new securities of this quality. The latter, quite evidently, are not yet ready to go for these low yields.

Indianapolis Power & Light

Much the same conditions surrounded the offering by bankers of Indianapolis Power & Light Co.'s $40,000,000 of new first mortgage 30-year bonds at a price of 102⅛ to yield better than 2.77%.

The successful banking group in this instance paid the issuer a price of 101.5298 for a 2⅞% coupon. In this instance, the bidding was reasonably close with little more than ½-point separating the lowest from the best bid, indicating bankers were thinking pretty much along the same lines.

But the market was slow and the offering group realized that while this undertaking might not ultimately require some "doorbell ringing," it would entail a little real work.

Inventories Up

There is little doubt that underwriters and dealers have a bit more in the way of unsold balances of new securities on their shelves than has been the case in recent months.

Certainly a check would show that the estimate of $30,000,000 which ruled last week as about covering odds and ends left over from recent offerings would have to be revised upward substantially.

Presumably the current figure would be found more nearly in keeping with what investment bankers and their dealers regarded as normal working stocks for a period when business is active.

Competition for Funds

Figures on insured home mortgages put before the New York State Savings Bankers Assn. on its "cruise convention" en route to the Bahamas, this week gives some idea of competition for investment funds these days.

Franklin D. Richards, Federal Housing Administration Commissioner, pointed out that currently there are some 600 savings banks around the country that are approved as FHA mortgagees with 120 of these in New York State.

These institutions, he pointed out, now hold about 10% of all FHA insured mortgages involving a total of approximately $640,000,000.

Big Issue Launched

The Louisville Gas & Electric Co. took the first step toward flotation of $41,000,000 of new first mortgage bonds when it registered with the Kentucky Public Utility Commission to sell the issue.

This is projected as a refunding operation and the new bonds would replace, at lower cost, currently outstanding debt issues. The plan calls for competitive bidding.

The issues to be retired include $28,000,000 of 3½s; $8,000,000 of 3s and $2,950,000 of Louisville Transmission 3⅛s. Retirement of the latter issue, T. B. Wilson, President, noted would be a step toward ultimate absorption of the Transmission company by the parent firm.

Indianapolis Utility Bonds Placed on Market

Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp. jointly headed a purchase group that offered to the public Oct. 21, $40,000,000 Indianapolis Power & Light Company first mortgage bonds, 2⅞% series, due Oct. 1, 1979, at 102.125% and accrued interest. Award of the bonds was won at competitive sale Oct. 19, on a bid of 101.5298.

Net proceeds plus other company funds, will be used to redeem $40,000,000 principal amount of two series of first mortgage bonds. Including premium, the total cost of this redemption will be $41,376,000.

General redemption prices for the new bonds range from 104¾% to 100% while special redemption prices beginning in 1954 are scaled from 101⅝% to 100%.

The company operates in and about the City of Indianapolis, Ind., and is engaged principally in the generation, distribution and sale of electric energy. It also is engaged in the production, distribution and sale of steam for heating and general industrial purposes. The company sells electric appliances and cooperates with dealers in the sale and financing of major load-building appliances to its customers. It has two wholly-owned subsidiaries—Mooresville Public Service Co. and Electric Building Company, Inc.

The territory served by the company and Mooresville Public Service has a population of approximately 535,000.

Others included in the offering are Drexel & Co.; Glore, Forgan & Co.; Union Securities Corporation; Hayden, Stone & Co.; Hornblower & Weeks; Paine, Webber, Jackson & Curtis; Hallgarten & Co.; Central Republic Company (Incorporated); Riter & Co.; Tucker, Anthony & Co.

Hill, Richards Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert H. Desbrow and O. G. Gryte have been added to the staff of Hill, Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange.

Inv. Bankers Comm. For "Junior Republic"

Twelve of Wall Street's leading investment bankers organized themselves into the Investment Bankers Committee of the world-famous George "Junior Republic" at a luncheon at the Wall Street Club, to which they were invited by Francis Kernan, of White, Weld and Co. The action was an outgrowth of their desire to express in a practical way their obligation for community service and their interest in preserving the American way of life and the American economic system.

The unique program of "the smallest Republic in the world" was explained to them by Donald S. Stralem, senior partner of Hallgarten & Co., who is Chairman of the board of directors of the Republic. The Republic is located at Freeville, N. Y., about ten miles from Ithaca, and is the only coeducational project of its kind in the United States.

It was founded in 1895 by the late William R. George, who was born near Freeville. He came to New York and established a successful box-making business, but retired after a few years to devote his life to helping teen-age boys and girls who were considered to be veering away from the customary development toward good citizenship. The Republic almost immediately became world famous because Mr. George devised the system of youth self-government that has been copied by schools, institutions and youth organizations throughout the nation. He also devised the "learn-by-doing" method of vocational exploration, and to inculcate respect for money and the American economic system, he made every "citizen" of the Republic support himself by working on the 550-acre campus and using only special designed Republic money: United States coin is not accepted within the Republic. Everyone must hold some kind of job besides going to school, and out of earnings must pay for room, board and living expenses. The 125 citizens make their own laws and enforce them and they govern themselves through a monthly Town Meeting and an annual election of President, Vice-President, Secretary of the Treasury and other officers. They have their own legal system with their own courts and judges and lawyers.

Mr. Stralem will explain additional details of the Republic's program and will urge the group to designate the Republic as the recipient of their interest in community service. Their help will be vital at this time, he will tell them, because the Republic will formally embark this Saturday, Oct. 29, on an expansion program that will seek to double present capacity from 125 to 250 teenagers in response to nation-wide demands for increase admissions.

The group attending the luncheon besides Mr. Kernan, are Walter F. Blaine, Goldman, Sachs & Co.; Albert H. Gordon, Kidder, Peabody & Co.; Edward F. Hayes, Glore, Forgan & Co.; Edwin H. Herzog, Lazard Freres & Co.; Donald S. Stralem and Leonard Newborg, of Hallgarten & Co.; Philip Isles, Lehman Bros.; Frank M. Stanton, First of Boston Corp.; Robert J. Lewis, Estabrook & Co.; Laurence M. Marks, Laurence M. Marks & Co.; Charles L. Morse, Jr., Hemphill, Noyes & Co.; Peter J. Murphy, F. S. Smithers & Co.

With Morgan & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Hilton R. Aronson is now associated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with Floyd A. Allen & Co.

With Baker, Simonds & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Thomas H. Watson has become associated with Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange. He was formerly with R. H. Johnson & Co. in Philadelphia.

With Field, Richards

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—John O. Enyeart has become affiliated with Field, Richards & Co., Union Commerce Building. He was formerly with the Provident Trust Co.

With Brainard-Judd & Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — George W. Miller has become associated with Brainard-Judd & Co., 75 Pearl Street. He was previously with Tifft Brothers.

With Colvin, Mendenhall

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—L. Bridges Patterson has become affiliated with Colvin, Mendenhall & Co., 220 Montgomery Street. Mr. Patterson was previously with C. E. Abbett & Co.

Will Recovery Continue?

(Continued from first page)

new housing starts and in contract awards are particularly significant because they indicate that there will be a large volume of construction in the immediate future.

On September 18 came the devaluation of the British pound, on Sept. 19, the full-fledged coal strike, about ten days later, the steel strike began. Are not these events bound to interrupt recovery? And even if the recovery is not interrupted by the devaluation and the strikes or if it resumes promptly after the strikes are settled, can it be expected to continue for long? The severity of the recent recession has been limited by continuation of a high level of expenditures on plant, equipment, and housing. Can this high level of expenditures be expected to continue much longer? When outlays on plant, equipment, and housing drop, will not the recovery from the recent recession be interrupted and will not the country then experience the real recession? These are the questions with which my remarks will deal.

II

Let us consider first the effect of devaluation of the pound and other currencies upon business in the United States. The effect may be summarized by saying that devaluation will increase slightly the supply of goods in the United States, that it will put mild downward pressure on prices, especially the prices of finished goods, and that the downward pressure on prices will probably stimulate expenditures for goods. Raw materials imported by the United States will not be cut materially in price—if they were the purpose of devaluation (to help other countries earn dollars) would be defeated. Finished goods which are elastic in demand, will be cut in moderate amount—not by the amount of devaluation because there will be some rise of production costs in other countries. The reduction in the prices of finished goods, such as automobiles, worsteds, china, and many other articles, will stimulate spending at least to a mild extent and will be good for the American economy. If devaluation does everything that can be expected of it, it will raise imports of goods and services into the United States relative to exports until exports exceed imports by no more than the volume of Marshall Plan aid. This would mean an increase in the supply of goods by over $2 billion during the next year or slightly less than 1% of the gross national product at the rate of output of the first nine months of 1949. If the devaluation is to make possible a solution of the dollar shortage problem by 1952, a further increase in imports into the United States will be needed in 1951—roughly an increase of $3 billion more. Certainly the immediate increase in supplies of goods will be too small to be depressing, and, if more abundant supplies encourage spending by bringing about lower prices for finished goods, the effect of devaluation on the American economy will be stimulating.

III

The coal and steel strikes will depress output and employment by moderate amounts (perhaps by nearly 10% though much more than 10% in the manufacturing industries) if they last long enough. The important thing to remember about strikes, however, is that their effect is almost entirely upon the supply of goods not upon the long-run determinants of the demand for goods. Demand for goods depends upon needs, the supply of money and liquid assets held by individuals and business concerns, the volume of investment opportunities, the size of debts of individuals and business concerns (especially the volume of short-term debts), and the expected level of incomes. None of these underlying determinants of demand are greatly affected by strikes. Consequently, one may assume with confidence that the economy will recover quickly and completely from the strikes. Steel users, of course, may be held back several weeks or more in resuming full operations.

The terms on which the strikes are settled are important, and it is more important that the strikes be settled on sound and equitable terms than that they be settled promptly. In each case the principal issue is a pension plan. Consequently, a "right" settlement means that whatever pension plan is established be financially sound, that it gives real security, not fake security, and that it be fair as between different classes of workers. The present pension plan in the coal industry falls far short of meeting these elementary requirements. The plan does not come even close to being sound. Its liabilities have been far out of proportion to its income and they have been far greater than any income which the industry will ever be able to supply. No steps have been taken to meet the huge accrued liability of the scheme so that the miners who will need pensions twenty or thirty years from now will be sure to have them. The plan is unfair to persons who leave the coal industry before retiring because their service as miners gives them no pension rights which are good in other industries. The unsound pension plan in the coal industry has been a standing scandal altogether too long. If allowed to continue, it will be a source of great financial difficulties to the industry, of internal strife within the union and the employers. The mines should not be reopened until the present plan has been drastically reformed and replaced by one which has liabilities commensurate with its income and which does not discriminate against some workers in favor of others.

A proper settlement in the steel industry will presuppose that the men are not promised more in pensions than 6 cents an hour (or whatever contribution is agreed to) will buy in the long run and that the solvency of the scheme is not achieved by denying pensions rights to workers who leave the industry or who move from one employer to another. A pension plan which does not vest pension rights in all employees in proportion to their length of service but which gives pensions only to non-mobile employees is not an honest plan—it purports to offer security which is not really there. Both sides will be under pressure to settle the coal and steel disputes by compromising on financially unsound and discriminatory pension plans. The public will do well, therefore, to watch closely the settlements in these disputes to see that the pension plans adopted are sound and nondiscriminatory. The United States Conciliation Service, as representative of the whole community has a special responsibility to see that the foundation for future financial difficulties and industrial strife is not being laid by the adoption of insufficiently financed and discriminatory pension plans.

IV

Will not the level of business soon be pulled down by a drop in expenditures on plant, equipment, and housing? In 1948, expenditures on these purposes were $38.5 billion, or 14.7% of the gross national product. In the second quarter of 1949 expenditures on plant, equipment, and housing were 14.4% of the gross national product. In 1929 expenditures on plant, equipment, and housing were 13.7% of the gross national product. Is not the present rate of outlay on plant, equipment, and housing abnormally high? Must they not be expected to fall in the near future, and if they do fall, will the recovery not be interrupted? The essential facts about expenditures on plant, equipment and housing may be summed up as follows:

(1) The present level of outlay for these purposes seems to be abnormally high. My judgment is that they are about 12% to 19% above normal.

(2) A moderate drop in these expenditures within the next year would not be surprising, but is far from certain. At any rate, the backlog of demand is large. Unless a drop in outlay on plant, equipment, and housing is induced by pessimistic expectations concerning the immediate future of business or by expectations of lower production costs, the drop will be very gradual. Put in another way, a drop in spending on plant, equipment, and housing which comes solely from meeting the accumulated demand, will be a slow one.

(3) A drop in expenditures on plant, equipment, and housing will be offset to a substantial extent by a drop in the rate of saving, particularly corporate saving.

What is the reason for believing that the present rate of spending on plant, equipment, and housing are abnormally high? These outlays are made of two parts—expenditures for replacement and expenditures for expansion. At the beginning of 1949, the country possessed about $123.7 billion of industrial equipment, and about $160.6 billion of industrial real estate improvements. An examination of the records of the last 70 years shows that equipment wears out or becomes obsolete at the rate of about 9% a year, and that real estate improvements wear out or become obsolete at the rate of about 2.9% a year. These rates mean that in the immediate future expenditures of about $11.2 billion a year will be needed to provide for the replacement of industrial equipment and of about $4.7 billion a year to provide for the replacement of industrial real estate improvements—a total of $15.9 billion a year. In addition, about 500,000 of the country's 35 million dwelling units will need to be replaced each year. If the average cost of replacing a dwelling is put at $6,000 (which is substantially less than expenditure on new dwelling units in 1948), replacement of housing will cost about $3 billion a year. This gives total replacement expenditures of $18.9 billion a year.

How much will have to be spent on expanding plant, equipment, and housing? The net increase in the labor force per year will be around 600,000. The average amount of industrial real estate improvements and equipment per worker in private industry at the beginning of 1949 was $5,350. To provide the new workers with the same amount of plant and equipment which old workers have would require annual expenditures of about $3.2 billion. In the past, plant and equipment per worker have been increased about 2% per year. This rate of increase, or a faster one, may be expected partly because the strong pressure of workers for higher wages leads management to use more plant and equipment per worker, and partly because changes in technology make it possible for a worker to manage more plant and equipment. If the rate of increase is 2% per man-hour per year, expenditures of $5.9 billion a year on plant and equipment will be required; if the increase is 3% per year, as is easily possible, expenditures of $8.8 billion a year will be required. For the next few years the net increase in the number of families will be about 500,000 per year. An increase of this number of dwelling units at $6,000 per dwelling unit will require an annual expenditure of $3 billion.

These estimates indicate that expenditures on expanding plant, equipment, and housing will be about $12.1 billion a year, provided plant and equipment per worker are increased at the rate of 2% a year, and about $15 billion a year if plant and equipment per worker are increased at the rate of 3% per year. Total expenditures on both replacements and expansion would be $31.0 billion a year, provided plant and equipment are increased at the rate of 2% per worker, and $33.9 billion a year, provided plant and equipment are increased at the rate of 3% per worker. Since expenditures in 1948 on plant, equipment, and housing were $38.5 billion, the total volume of expenditures for these purposes must be expected to drop by $4.6 billion to $7.5 billion below the level of 1948, or from 12% to 19%.

Although expenditures on plant, equipment and housing are abnormally high, a large and sudden drop in these expenditures is not likely in the near future. The backlog of demand is still very large. Even at the beginning of 1949, there was slightly less industrial plant and equipment per worker in American industry than in 1929 and only about 7% more than in 1939.[1] This indicates that the large expenditures of 1946, 1947 and 1948 had merely offset the failure to make the usual replacements during the depression and the war. I have pointed out that there is a long-run tendency for plant and equipment per worker to grow slowly. To bring plant and equipment per worker up to the amounts indicated by the long-term trends would require expenditures (at present prices) of over $80 billion.

The demand for housing is being sustained by the fact that the number of families has been increased since 1940 faster than the number of new dwelling units and by the rapid rise in population. Between 1940 and 1948, the number of dwelling units in the United States increased by about 7.6 million. Of this increase, about 5.9 million dwelling units were provided by new construction and about 1.7 billion by subdividing existing dwelling units. The quality of many of the dwelling units provided by sub-dividing existing houses is quite uncertain—in many cases it is undoubtedly quite poor and the dwelling units added in this manner must be regarded as temporary. The increase in the number of families between 1940 and 1948 was about 6.9 million. The increase in population during the decade of the forties will be about 19 million—the largest in the history of the country. The number of births in the first half of 1949 was slightly larger than in the first half of 1948. The rapid growth of population helps, of course, to sustain the demand for housing.

As the country gradually catches up on the large accumulated demand for plant, equipment and housing a slow drop in expenditures for these purposes may be expected. But catching up on accumulated demand will not produce a large and sudden drop in expenditures—such a drop would only come as a result of a pessimistic view of the general business outlook or as a result of expectations of substantially lower costs of construction and equipment. There is no prospect that costs of equipment or construction will soon be substantially lower.

The tendency for a drop in expenditures on plant, equipment and housing to produce unemployment will be offset in large measure by a drop in the rate of saving and a rise in the rate of consumption. The decrease in saving will come from a drop in saving by corporations. The savings of individuals have always fallen far short of meeting the investment needs of the country. In 1948, less than one-third of the gross private investment of $38.5 billion was financed by personal savings which were a little more than $12 billion for the year. The remainder was financed by depreciation allowances of various kinds and by corporate savings of slightly more than $10 billion.[2]

The high rate at which profits were being plowed back in 1948 is explained by the high rate of business investment. Only by reinvesting profits could corporations obtain the funds for capital expenditures in the needed volume. If capital outlays had been smaller, a smaller fraction of earnings would have been plowed back and dividend payments would have been higher. Indeed, the normal relationship is for three-fifths to two-thirds of corporate profits to be distributed as dividends. As the need of corporations to spend money on plant and equipment drops, dividend payments will rise and saving by corporations will decline. Of course, some of the increased dividend payments will go to the government in taxes and some of them will be saved, but most of them will be used to increase consumption. Hence the economy will adjust itself fairly readily to a slow drop in the volume of spending on construction and industrial equipment.

V

Two moderately important influences will tend to sustain production and employment during the next nine months. One is the rise in government expenditures relative to government cash receipts and the other is the rise in the proportion of personal income spent for consumer goods.

During the fiscal year recently ended the cash surplus in the federal budget was approximately a billion dollars. During the present fiscal year the expenditures of the federal government (including $2.0 billion for veterans' life insurance dividends) will be about $3.5 billion or nearly 9 per cent larger than in the previous fiscal year and receipts will be about the same — probably slightly smaller. Hence a cash deficit of $2 billion and possibly $3 billion is likely. Expenditures by state and local governments are rising too as conditions become more favorable for making long over-due outlays for schools, hospitals, roads, bridges, and other improvements. Last year the expenditures of state and local governments were slightly below their receipts. During the last half of 1949 and the first half of 1950 state and local governments will undoubtedly spend at least a billion more than they take in. Consequently, the government financial operations, which have been more or less neutral in their effect upon the economy during the last year will

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[1]At the beginning of 1929, industrial real estate and equipment were $146.4 billion, or $3,197 per worker outside of government; at the beginning of 1939 (expressed in 1929 dollars), $152.0 billion, or $2,969 per worker outside of government; and at the beginning of 1949 (also in 1929 dollars), $172.9 billion, or $3,184 per worker outside of government.

[2]The figure for corporate savings is smaller than that reported by the Department of Commerce because I have corrected the Department of Commerce figures for the widespread overstatement of profits—the results of the use of obsolete accounting methods by most corporations. My figure on business depreciation is higher than that reported by the Department of Commerce for the same reasons. Even the corporate savings figure which I use and which is about $3 billion smaller than that reported by the Department of Commerce was substantially larger than all dividend payments by corporations.

be moderately stimulating during the coming year.

The rate of personal saving during the last half of 1948 and the first half of 1949 has undoubtedly been abnormally high. People have been waiting for prices to fall and for the choice of goods to become broader. The recent abnormally high rate of saving will probably not persist. At any rate, the proportion of personal savings to disposable income has dropped from 8.8% in the first quarter of 1949 to 7.3% in the third quarter. Possibly the drop will not go much farther, but it may—especially if business concerns offer goods at more attractive prices. The rate of saving, however, will undoubtedly be somewhat less during the next several quarters than it was late in 1948 and early in 1949. The lower rate of saving will help sustain demand.

My conclusions concerning the short-term business outlook may be summarized as follows:

(1) The effects of the devaluation of various currencies upon the American economy will be quite limited. Supplies available to American consumers will be increased by a small amount and some pressure will be put upon the prices of some finished goods. To the extent that devaluation brings about lower prices for finished goods, it may increase the total volume of spending and thus stimulate the economy.

(2) The coal strike and the steel strike will temporarily affect the supply of goods but will have little effect upon the underlying conditions of demand. Hence they will not have a lasting effect on recovery.

(3) A slow slide-off in expenditures on plant, equipment, and housing is not improbable, but no large drop is in prospect. Housing in particular is likely to be a strong support for general business for at least another year.

(4) Business will be sustained by decreases in corporate saving and increases in dividend disbursements, by larger government expenditures in relation to receipts, and by a slightly lower rate of personal saving.

These several conclusions indicate that after the settlement of the coal and steel strikes the level of business should be somewhat higher than during the second quarter of 1949.

VI

Let me conclude these remarks on short-run business by reminding you of two important facts. One is that the United States is not at peace and there is no immediate prospect that the United States will be at peace. The country is engaged in a cold war which will probably continue for some years. No one likes the cold war because every one knows that it might break out into a shooting war. Furthermore, most Americans wish to be on friendly terms with other peoples and are happier when their relations with other countries are cordial. Nevertheless, from the narrow economic standpoint, the cold war is a good thing. It increases the demand for goods, helps sustain a high level of employment, accelerates technological progress and thus helps the country raise its standard of living. In the absence of the cold war, the demand for goods by the government would be many billions of dollars less than it now is and the expenditures of both industry and government on technological research would be hundreds of millions less than they now are. So we may thank the Russians for helping make capitalism in the United States work better than ever. There can undoubtedly be mild ups and downs in production and employment, such as the mild recession of the last year. Some of the drops may even be larger than the recession of the last year. It is difficult, however, to conceive of the country's experiencing a really severe depression so long as it is engaged in a cold war. War and depression do not go together. If the day ever comes when the word of the Russians is regarded as worth something so that it is possible to make peace with them, the country will experience the economic problems inseparable from ending the cold war. That day, however, is not in sight.

The second fact of which I wish to remind you is that the economy of the United States is essentially inflationary. It contains institutions which can be expected to produce mild but more or less steady inflation. Among these institutions are trade unionism and collective bargaining. Trade unions are virtually certain to raise wages faster than the increase in output per manhour. Hence collective bargaining will require a slow rise in the price level. Another inflationary institution is the government. Unless democracies accept the doctrine of very limited government functions (and this conception of government was discarded in this country over a generation ago), they are virtually certain to pursue inflationary policies. The reason is that politicians find it more advantageous politically to authorize expenditures than to impose taxes. Consequently, a deficit in the cash budget must be regarded as more or less normal for democracies, except in an age of *laissez-faire*.

This fact should not be regarded as too alarming. During the next thirty years, if the labor force of the United States increases to about 75 million, if the work week is cut by about one-fourth, and if output rises by 2% per manhour per year, the total output of the United States will increase about 69%. If the rate at which money is spent remains more or less unchanged (and it has been dropping), the United States will require an increase of about 69% in its money supply to avert a drop in prices. This would mean an increase of about $117 billion in the money supply—the slowest rate of increase in the history of the country. Perhaps $30 billion of this increase might come from further imports of gold—say about a billion a year for the next thirty years. Some increase in the money supply might come from a rise in short-term borrowing by business concerns and individuals from banks. This is not a good way to increase the money supply, but short-term bank loans might rise in proportion to the total output of the country, providing the basis for about $28 billion additional money. This would leave about $59 billion still to be provided. It might be done by the gradual transfer of more and more of the national debt into the hands of the commercial banks—a method which is far from ideal. Or it might be done by financing the deficits of the Federal, local and state governments through the commercial banks. This latter way is likely to happen because the deficits of the several governments during the next 30 years will probably be considerably in excess of $59 billion. Deficits of roughly $59 billion as a minimum, however, are likely to be needed in order to provide the country with enough new money to prevent a drop in prices. I need hardly add that the resulting increase in the public debt (about one-fourth of the present Federal debt) accompanying a rise of 69% in the national product, would leaves the debt burden considerably less than it is today. If the increases in production were larger than the slow rate which I have assumed, a greater rise would be needed either in the rate at which money is spent or in the money supply. For example, a rise in output of 3% per manhour per year, together with an increase in the labor force but a drop in the work week, would mean a rise of about 125% in the national product in 30 years. Unless the turnover of money became much more rapid, the money supply would need to rise by 125%. This would require either that the banks take over all of the present Federal debt or that the government incur deficits in excess of $200 billion in the next thirty years.

Since the country is engaged in a cold war and will be involved in this war for years to come and since its economic institutions are essentially inflationary, one may conclude, I think, that the influences which make for expansion of production and employment in the economy are considerably stronger than the influences which make for contraction. This does not mean that the influences which make for contraction may not prevail to a limited extent and for short periods of time. The conditions for a real old-fashioned depression, however, do not exist and are not likely to exist in the foreseeable future. As a matter of fact, considerable time is required to lay the foundation for a severe depression, and the cold war tends to prevent contraction from going very far. Consequently, the basic plans of American business enterprises should be made upon the assumption that the forces for expansion in the American economy are very strong, that these forces will be dominant during most of the foreseeable future, and that the interruptions to expansion, which are bound to come from time to time, will be short and mild.

Diomede Pantaleoni Opens

Diomede Pantaleoni has opened offices at 60 West 70th Street, New York City, to engage in a securities business.

With Riter & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — John W. Himmelsbach is connected with Riter & Co., 134 South La Salle Street.

Ordas with Cruttenden

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Joseph F. Ordas has become associated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Ordas has recently been in business in the Middle East. In the past he was with Straus Securities Co. in Chicago.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—That some one other than Dr. Edwin G. Nourse will head the President's Council of Economic Advisers is not rated here as a development of any great significance. That Dr. Nourse has departed from the Administration as one of the two balance wheels of the President's official family is, however, considered here to be an event of the first magnitude.

Paradoxically, it will be a minor miracle if the departure of Dr. Nourse does not deliver the *coup de grace* to that peculiar institution, the Council of Economic Advisers to the President and its Economic Report.

* * *

President Truman's most intimate advisers are now, for the most part, left wing. These advisers include not merely the surviving members of the CEA, Leon Keyserling and Dr. John D. Clark, but most of the other members of the White House circle and the heads of major agencies and departments who have access to the President.

Of those to whom the President listened for advice on economic matters, only Dr. Nourse and John Snyder, the Secretary of the Treasury, were rated as relative conservatives. Now one of the two is going. Only Mr. Snyder remains, and it may be anticipated that the lefties in the press and within the Administration will be gunning for Mr. Snyder harder than usual. While Charles Sawyer, the Commerce Secretary, is thought to lean personally toward the conservative side, his influence as a conservative is believed to have been neutralized as the price of his staying in the Cabinet.

Dr. Nourse alone had an influence within this Administration that outweighed a handful of lefties. However, there were so very many more lefties that his influence was only a matter of degree.

But it was an important degree. He resolutely insisted that the Chairman of the CEA in fact should be the spokesman for the CEA, and the funnel through which CEA'S advice should flow to the White House. He insisted that the Chairman should be the liaison of the CEA to the President.

To some degree Dr. Nourse made this viewpoint stick. President Truman is more inclined than his predecessor to recognize rank and the chain of command. Mr. Roosevelt, on the other hand, often would go over or under any bureau head to any individual who had a bill of political goods to sell that sounded like attractive merchandise to the late President.

Nevertheless, Dr. Nourse did not succeed entirely. Some of the members of the CEA were able to get their individual viewpoints across at the White House, albeit by indirect means, even when they were in conflict with the official CEA compromise recommendations or ideas submitted to the President.

However, as the funnel of information and opinion between the CEA and the White House, Dr. Nourse often bleached out a little of the red color from the liquid. Obviously he could not, on the other hand, purify the product to the extent that he may be suspected of having wanted to.

Dr. Nourse is a man of commanding logic. He is one to whom most men around here found themselves listening with respect, even when they did not agree with him. He has a way of salting down pure economic data with common sense. He has a knack of mixing political engineering with economic engineering. He seems to sense what sort of political wind one can quarter into and still make some progress. Yet he also senses what kind of a wind is too stiff for that, and which one must turn into and ride out, merely turning the engines over enough to maintain steerageway. In oral conversation he has an earthy, almost slangy way of reducing economic and statistical abstractions to the comprehensible plane, yet he can use big words in formal speeches along with the best of the pedagogues.

For these reasons, Dr. Nourse was often forceful enough to carry other advisers along with him part way. It is not known what decisions he influenced. However, at one time when the White House was hot for bank credit restriction, the CEA, at least by implication—the whole CEA and officially—was on record against it. It can probably be surmised accurately that Dr. Nourse had a large influence in restraining the President earlier this year, from fighting for tax increases.

As for the CEA vestige of the "Full Employment Act" of 1946, the President's Economic Report was of more than academic interest to the country so long as the President's advice was not just that of an amen chorus to every s p e n d i n g and radical scheme the President adopted. Now it is probably a yes-man chorus and it won't matter much whether the President puts his recommendations in the Annual, the Budget, or the Economic Report messages.

Even the President seems to be subordinating the CEA. Given authority by Congress to decide by himself how many and how big raises within limits, he could parcel out to his assistants, the President gave the CEA members $16,000, under an Undersecretary of a department, and under some of the chore boys the President keeps a little closer.

* * *

From a news viewpoint, the President's statement that he was for higher taxes to pare down the deficit, is interesting but not conclusive. In nature it was an accidental commitment, rather than a deliberate, planned position, taken after careful consideration.

When Dr. Nourse quit with a blast against deficit financing the boys who trooped to the White House press conference naturally asked the President what he thought about it. Deficit financing has not yet taken that complete hold upon the public imagination to the point where the President was able to say he was unconcerned as to whether any attempt was made to meet expenditures with revenues. The President, it is felt, under the circumstances almost had to say he meant to balance the budget.

So the press conference statement was an off-hand and probably casual position.

Since the President has committed himself for higher taxes, however, he may be expected now to follow through with a repetition of this position in his January messages to Congress. If he omits a call for additional taxes in those messages, that will be news of significance.

On the other hand, the question here is whether the President follows through with pressure upon Congress to either raise tax rates or somehow find additional objects of taxation.

There are at least two objectives dearer to the President's heart, however, than a balanced budget.

First of these is a high level of business activity. If the President becomes convinced, at the time it becomes necessary next year to bring all his pressure to bear to get Congress to increase taxes, that such taxes will jeopardize the volume of business activity, then the President will back away.

For a high level of business activity is deemed to be the indispensable requirement of the success of the Truman Administration. A slump means loss of control of Congress. It means dangerously reduced tax receipts, and while the President presumably is reconciled personally to deficits of $5 or $6 billion a year for a few years, he is not reconciled as yet to complete loss of fiscal control. Besides, Congress in a panic might cut down the welfare state if revenues dropped sharply, and the combination of reduced spending and unemployment would surely beat the Truman Administration, at least in the '50 Congressional contest.

The other thing which is more important than a balanced budget is the big expenditure objectives, for housing, for foreign economic and arms aid, for social security, for farm supports, and so on. These spending objectives in themselves override the objective of balancing the budget, or would, at least, until the budget got most badly unbalanced.

* * *

You probably won't get it dished out in any such frank way in any public statement by even the leaders of the opposition, but here is the way a considerable number of people diagnose the current row which apparently is between the Navy, on the one hand, and the Defense Department and the President, on the other:

In its foreign policy, the Administration has bit off a great deal more than the nation can chew. The foreign policy of the United States is to protect Western Europe from Russian domination or conquest. It means discouraging Russian aggression in Western Europe, if possible. If this is not possible, it means military reconquest of W e s t e r n Europe, if that territory is occupied by the Reds.

This is the commitment which was formalized in the Atlantic pact, regardless of pretended escape clauses.

To be prepared to discourage Russia from attacking or to be able to retake a Russian-occupied Europe, means having on hand a vastly more variegated and costly military force than the United States now has on hand or in prospect. Should it suit the purposes of the Russians at some time to occupy Europe, it would take the availability of millions of men in an Army-in-being, millions in the Navy, and an Air Force of much greater variety and power than the top authorities now envision. This is what military men assert privately.

Should the forces be created necessary to do the job, the United States would unavoidably evolve into the military society the interventionists of pre-War II said would be the inevitable result if Hitler were allowed to remain in military control of Continental Europe.

Such a military society, however, would be overriding of all other considerations, including the maintenance of the many subsidies and welfare programs which the Truman Administration believes are necessary to secure itself in control of the U. S. Government.

* * *

Under the circumstances, the the Administration cast about for comparatively "inexpensive" substitutes to do the job without transforming the U. S. into a military state. One of the gadgets was economic aid, whose feasibility to sustain Europe is beginning to be doubted. The latest is foreign arms aid. The third is the B-36 airplane which, in sufficient numbers with atomic bombs, is charged with discouraging the Reds or badly breaking them up if they march into W e s t e r n Europe.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Do you ever get tired of ordering everyone around?"

Charles Jones Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Charles M. Jones is resuming the investment business from offices at 1115 South Fourth Avenue.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Adolph P. H. Fetters is with Shearson, Hammill & Co., 618 South Spring Street.

J. V. Everett Opens

WILLIAMSTOWN, W. VA.—J. V. Everett is engaging in a securities business from offices at 707 Columbia Avenue. He was with Bache & Co.

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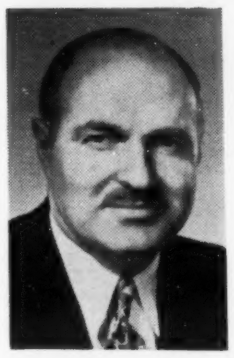

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Robert L. Mitton
Robert L. Mitton, Investments, Denver

R. Victor Mosley
Stroud & Co., Inc., Philadelphia

Jay L. Quigley
Quigley & Co., Inc., Cleveland

Richard H. Walsh
Newhard, Cook & Co., St. Louis

Edward H. Welch
Sincere & Co., Chicago

1949

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Sloan & Wilcox, Portland, Ore.

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Clement, Curtis & Co., Chicago

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1949-1950

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Sincere & Co., Chicago

1946-1948

R. Victor Mosley
Stroud & Co., Inc. Philadelphia

1945-1946

Thomas Graham
Bankers Bond Co., Louisville

1944-1945

Edw. E. Parsons, Jr.
Wm. J. Mericka & Co., Inc., Cleveland

1942-1944

Wm. Perry Brown
Newman, Brown & Co., New Orleans

1941-1942

Joseph W. Sener
John C. Legg & Company, Baltimore

1941-1942

Herbert H. Blizzard
Herbert H. Blizzard & Co., Philadelphia

Contents of This Issue

Articles and News

Index to Affiliates

1940-1941

Thomas A. Akin
Deceased

1939-1940

Edward D. Jones
Edward D. Jones & Co., St. Louis

1938-1939

Willis M. Summers
Troster, Currie & Summers, N. Y. C.

1936-1938

Arthur E. Farrell
H. M. Byllesby & Co., Inc., Chicago

1936-1937

J. Gentry Daggy
H. M. Byllesby & Co., Philadelphia

1935-1936

Henry J. Arnold
H. B. Cohle & Co., Cincinnati

1934-1935

W. W. Cruttenden
Cruttenden & Co., Chicago

Presidential Greetings

The National Security Traders Association's 1949 convention was a huge success. On behalf of the membership, I congratulate the officers and other individuals responsible for this achievement.

Also, I extend to the Bond Club of Denver the sincere thanks of the Association for the cordial reception they gave all delegates during the Denver stop-over. This delightful interlude added much real pleasure to the convention trip.


H. Frank Burkholder

Aside from its signal success, I feel that this year's convention was especially significant in that it was the first (except for a small war-time convention) in NSTA's 16-year-old history to be sponsored solely by the national Association. It seems to me that this fact is indicative of greater cohesion and that it holds the promise of increased strength.

In accordance with its custom, **The Commercial and Financial Chronicle** cooperated wholeheartedly in making the 1949 convention a success. The **Chronicle** gave the convention splendid advance publicity and complete news coverage. Moreover, the **Chronicle's** intensive solicitation of ads for the NSTA convention issue assured the Association of financial independence for another year. It is a genuine pleasure to extend to **The Commercial and Financial Chronicle** and its advertisers the sincere thanks of the Association.

As to the coming year, I am confident that it will be a successful one. I am confident because I know that I can rely upon the full cooperation of my able fellow officers and the Association's 3,700 members. With such cooperation it is inevitable that NSTA will move forward in 1950 towards the twin goals of even better relationships among members and the greater good will of the investing public.

H. FRANK BURKHOLDER, President
National Security Traders Association

The Advertising Committee Extends Its Thanks

By HAROLD B. SMITH, Chairman, NSTA Advertising Committee

Again, our NSTA Convention Supplement of "The Commercial and Financial Chronicle" is presented, with a complete roster of members and officers of our 29 affiliates for 1949. This marks the 11th anniversary of this issue.


Harold B. Smith

We, the dealers and traders, should be most grateful to Herbert D. Seibert, Editor and Publisher of the "Chronicle," for his outstanding cooperation in presenting this supplement as a real service to our fraternity. We cannot underestimate its value. With an ever-growing membership throughout the country, we need but peruse its pages and we recall friendships established many years ago and now kept renewed in no small measure through this publication. Contacts are made and business consummated, too, as a consequence of its contents.

A few weeks ago, we held our National Convention at Colorado Springs, Colo. Those in attendance realized more than ever before what an organization can do for its members, and the high regard other branches of the security business have for the National Security Traders Association.

The year 1949 is outstanding so far as our Committee is concerned because of the extent of the assistance received from so many of its national officers, and here we must lead off with "Thanks, Mort!" and that's Mort Cayne, our National Secretary. Many of you recall the letter he got up to go to corporate officials bearing the caption "Are You in the Spot-Lite?" He really gave the "kick-off" for corporate ads, and the ball was carried by many of our local clubs as you will observe while reading this supplement. Your Advertising Committee must apologize for its inability to make a complete report of its activities, and we pause to say "sorry" to every one who extended himself to make this issue a success if his name has not been mentioned.

As you know, the 1949 Convention was sponsored by the National, and we, your Advertising Committee, feel responsible in a large degree for making this possible. The receipts shown in the statement and annual report of Harry Arnold, our Treasurer, came primarily as a consequence of the advertising which appeared in our Convention Supplement to the "Chronicle."

For the first time 10% of our advertising is represented by space taken by corporations. Will you, our fellow members, remember to acknowledge their support? We all know these companies. We believe it mutually advantageous to corporations and dealers to be thus represented in our Convention Supplement to the "Chronicle."

We recommend to the recently elected Executive Council that your Advertising Committee be appointed as soon as possible and a concerted and sincere effort be made to have companies whose securities we trade or distribute recognize the value of this annual convention issue of ours and support us by taking space therein.

And now let us all thank our co-workers, the solicitors of "The Commercial and Financial Chronicle," Messrs. Beck, Murphy, Reilly and Strickland. A swell job, fellows! Your picture-taking and production of advertising throughout our nation is beyond our praises. The "Chronicle" staff cannot be forgotten as they actually have produced this beautiful souvenir. So thank you again.

Your complete Advertising Committee is listed below in order that those seeking further knowledge about its work and results may do so from them.

HAROLD B. SMITH,
Chairman, NSTA Advertising Committee
Pershing & Co.
120 Broadway,
New York 5, N. Y.

Committee Members—In addition to Chairman Smith, the Advertising Committee consists of the following:

Vice-Chairmen—Anton E. Homsey, du Pont, Homsey & Company, Boston, Mass.; Glen A. Darfler, Kneeland & Co., Chicago, Ill.

Chairmen of Local Affiliates — Lex Jolley, Johnson, Lane & Co., Inc., Atlanta; E. Elwood McClure, Stein Bros. & Boyce, Baltimore; Alonzo H. Lee, Sterne, Agee & Leach, Birmingham; I. Mayo Read, Frost, Read & Simons, Incorporated, Charleston, S. C.; Lloyd W. Shepler, Merrill Lynch, Pierce, Fenner & Beane, Cincinnati; Carl H. Doerge, Wm. J. Mericka & Co., Inc., Cleveland; John L. Canavan, Rauscher, Pierce & Co., Dallas; T. Nelson O'Rourke, T. Nelson O'Rourke, Inc., Daytona Beach, Fla.; Robert L. Mitton, Robert L. Mitton Investments, Denver; Paul I. Moreland, Moreland & Co., Detroit; Claude T. Crockett, Moroney, Beissner & Co., Houston; Hayward H. Hunter, George K. Baum & Company, Kansas City, Mo.; Nieland B. Van Arsdale, Blyth & Co., Inc., Los Angeles; Henry Christman, Jr., O'Neal-Alden & Co., Louisville; R. Fred Trexler, J. C. Bradford & Co., Memphis; Bernard Decheine, J. M. Dain & Company, Minneapolis; Buford G. Wilson, Jack M. Bass & Company, Nashville; Jackson A. Hawley, Equitable Securities Corporation, New Orleans; James F. FitzGerald, W. L. Canady & Co., Inc., New York City; John M. Hudson, Thayer, Baker & Co., Philadelphia; William G. Simpson, H. M. Byllesby and Co., Incorporated, Pittsburgh; Pierre A. Kosterman, Conrad, Bruce & Co., Portland, Ore.; J. B. McMahon, Merrill Lynch, Pierce, Fenner & Beane, San Francisco; Robert A. Nathane, Merrill Lynch, Pierce, Fenner & Beane, Seattle; John W. Bunn, Stifel, Nicolaus & Co., Incorporated, St. Louis; Everett W. Snyder, E. W. Snyder and Co., Syracuse, N. Y.; Robert A. Bligh, Fahnestock & Co., Torrington, Conn.

What Can Traders Do in a Rights Offering?

By HON. HARRY A. McDONALD*
Commissioner, Securities and Exchange Commission

Commissioner McDonald, pointing out anti-manipulative provisions of the Security and Exchange Acts apply to offerings of stock subscription rights, describes new methods of handling these offerings by underwriters and dealers. Explains limitations on price stabilization transactions and holds syndicate manager in purchasing rights must be careful not to create a rising or fictitious market. Says stabilization is hazardous activity and requires care, but that adaptability and flexibility to meet changing conditions should be aim of investment industry.

Your chairman gave me a free choice of topics for this evening's talk. He laid down but one condition, and that was—try to make it interesting to traders.

Harry A. McDonald

That proved a bigger order than it at first seemed. Of all those engaged in the securities business, the trader is probably the most realistic. Certainly he is most familiar with market practice and technique. I realized that you would not want to take time out from an interesting and entertaining convention to listen to a theoretical discussion or some high sounding platitudes. On the other hand, I had little desire to come out here as a spokesman from Washington to tell you how to run your business. I think I know better than that!

Because you traders are really technicians, I am going to talk about a subject which I believe to be a problem you live with almost every day. I am going to talk about warrant, or rights offerings and manipulation.

The statutory restrictions which govern these distributions are simple in terms, but extremely complicated in application. They are the anti-manipulative provisions of the Securities Exchange Act of 1934. The provision most pertinent to this discussion is Section 9 (a) (2) which declares it "unlawful for any person, directly or indirectly," and here I quote from the law:

"To effect, alone or with one or more other persons, a series of transactions in any security registered on a national securities exchange creating actual or apparent active trading in such security or raising or depressing the price of such security, for the purpose of inducing the purchase or sale of such securities by others."

There are similar restrictions on over-the-counter securities in other parts of the statute.

It is important to bear in mind that these provisions have in no way been suspended for the rights operations—the statute remains in full force and effect. The law is clear that an underwriter or a person interested in the distribution of a security may not raise prices or create activity for the purpose of inducing others to buy. The same rules apply as govern in the ordinary security distribution. They apply to both the rights and the stock.

Rights offerings are becoming quite popular of late. Last year, out of 79 principal common stock offerings, 41 used the rights method. Dollarwise, gross proceeds from these rights offerings totalled over $390,000,000. During a period when industry has made great demands on our capital markets to modernize and expand plant, the rights offering has served as a most effective instrument for raising equity capital. For one thing, it sells stock by making an appeal to the group most familiar and most interested in the company, i.e., the existing stockholders. You and I know that the easiest person to whom to sell stock is one who already owns stock in that company, provided he has had a satisfactory experience. It is also a method for satisfying pre-emptive rights required by charter or by state law.

Methods of Handling Rights Offerings

During the last three years two new methods of handling offerings of rights to subscribe have manifested themselves. The first of these constitutes a firm underwriting, with the underwriters cutting their risk during the standby period, by buying any excess rights that come into the market and laying off equal amounts of stock. This has become known as the "Shields plan."

The other method is known as the participating dealers' plan, or the "Columbia Gas plan." It was first used in a financing by that company just a year ago.

This type of plan does not comprehend an underwriting commitment, although a manager is usually employed to supervise and control the distribution. The plan does, however, recognize that a rights offering needs the help of dealers to be successful, and it recognizes that dealers are entitled to compensation for their services.

The participating dealers' plan is being used increasingly. In subsequent offerings it has undergone substantial modification. These changes appear in the distribution of New York State Electric & Gas by GPU last March and also in the second Columbia Gas offering in August.

What I want to do tonight is outline the operation of each of these basic distribution methods. I will try to explain as best I can the respective functions of the manager and participating dealers.

Before doing that, let me describe briefly the old conventional standby underwriting as it used to be done prior to these innovations. I need not tell those of you who took part in them what highly risky ventures they could be. For the 15 or 30 day subscription period, the underwriter was on the hook while stockholders made up their minds whether or not to subscribe. The underwriter never knew how many shares he would finally get. He was forced to remain subject to market changes over a long period. An underwriter taking this responsibility, naturally, had to have compensation commensurate with the risk. The issuer had the choice of fixing an exercise price low enough to assure full subscription or pay the larger underwriting fee.

One way an underwriter could reduce his risk was by beginning to distribute stock during the subscription period. The danger in this was that he might underestimate the subscription rate and find himself short.

This very thing did happen in several conspicuous cases. In one, which took place in the early summer of 1946 during the postwar rise in market prices, a Chicago underwriter estimated that the offering would be about 75% subscribed. To minimize possible loss, he went short and offered approximately one-fourth of the stock concurrently with the general offering to stockholders. The offering was in fact 98% subscribed. The underwriter was forced to cover about 40,000 shares at a two or three point loss.

In another case involving an exchange of securities, the underwriter went short as a hedge against a falling market and found he had to pay a premium averaging three or four dollars in covering. The cost of that "guess" was almost $200,000 to the underwriting group.

The risk, of course, is even more costly in a falling market, for then the underwriter in the conventional standby may find himself with all or nearly all of the stock unsubscribed.

The Shields Plan

The Shields plan was formulated in late 1946 by a committee of the Investment Bankers Association after several rather disastrous underwritings of rights offerings had caused large losses. In July, 1946 Willys-Overland offered rights to its holders to subscribe to 155,145 shares of $100 preferred stock. Only 6,024 shares were subscribed for by the stockholders and within weeks the market fell to the middle 60's. You may remember the Cincinnati Gas & Electric and Industrial Brownhoist rights offerings, which had the misfortune to coincide with the Sept. 3, 1946, market break. In both instances the market price fell below the subscription price and, as a result, many shares came into the hands of underwriters at a time when the market price was considerably below the underwriters' purchase price.

The Shields plan permits underwriters, through the manager, to buy rights during the period of the offering to stockholders. They may exercise these rights prior to their expiration, and they may sell the security being underwritten before the expiration of the rights at a price consistent with the prevailing market for the security. In other words, the Shields plan is insurance against the underwriter having to take down a large block of a security at the expiration of the subscription period. It also removes the risk involved in guessing the amount which can be sold short. It is essential that all purchases of rights be channeled through the manager in order to control the situation and to avoid members of the group bidding against each other. In one case where it was expected that there would be a large demand in the area where the company was located, the local underwriter as well as the manager both purchased rights, but they acted in unison.

The participating dealer plan is an outgrowth of the Shields plan. A year ago Columbia Gas proposed to offer an additional block of stock to its common stockholders by means of rights. The amount of new equity being raised—over $12 million—was a large figure at the time, although we since have had some quite a bit larger. They had figured a price of about 20% below the then mar-

(Continued on page 62)

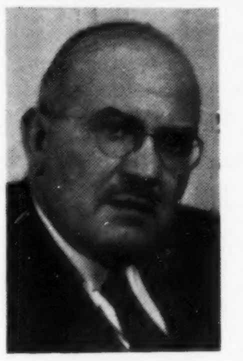
*An address by Mr. McDonald before the 16th Annual Convention of National Security Traders Association, Inc., Colorado Springs, Colo., Oct. 8, 1949.

Gold and World Recovery

By MERRILL E. SHOUP*
President, The Golden Cycle Corporation, Colorado Springs, Colo.

Stressing importance of gold as monetary standard and its historical significance in promoting economic progress, Mr. Shoup contends there'll be no economic recovery until gold standard is restored throughout world. Says U. S. alone, of all nations, has power to restore sound world monetary system, and advocates: (1) abandonment of Bretton Woods Plan; (2) establishment of free gold market; (3) making U. S. currency freely and completely convertible into gold, and (4) tying all leading currencies to gold on dollar value basis. Urges higher price for gold.

I have chosen as the subject of my talk "Gold and World Recovery." We are all familiar with the economic chaos the world is in. We have seen the wholesale currency devaluation of more than 20 nations during the past 30 days. Many intelligent economists, bankers, and business leaders are convinced that our chaotic worldwide situation stems primarily from the fact that during the past 20 years leading nations either have entirely gone off the gold standard or relegated gold to an unrealistic currency base.



Merrill E. Shoup

What is gold? It is one of 92 basic chemical elements of which the world is composed. Gold is one of the rarest elements and accounts for only one part out of one billion parts of the earth's crust. While found nearly everywhere in the world, it usually occurs in such small quantities that it cannot be profitably worked. It occurs in relatively few areas in commercial quantities.

The world's gold production, during recent years, has shown an upward trend, averaging 30 million ounces per year during the past five years, compared with 22 million ounces per year during the period 1911 to 1915. There exists in the world today, according to best estimates, only 56 billion dollars in gold, accumulated since the dawn of civilization. Of this $56 billion, approximately $35 billion is in monetary form, and $21 billion in jewelry and industry. The United States holds about $25 billion of the total world stock of monetary gold, calculated at the rate of $35 per ounce. All other nations combined hold $9 billion.

Gold is the oldest generally accepted money known to mankind. It has been used as a medium of exchange for more than 5,000 years. Because of its brilliant appearance, unalterability, and occurrence in natural form, gold was the first metal to which man was attracted. It was known and highly valued by the earliest civilizations, the Egyptian, Minoan, Assyrian and Etruscan. It was uesd as early as the Fourth Egyptian dynasty, in 2900 B.C., and through the centuries has continued preeminent among all other metals as the medium of exchange. The fact that it has been valued so highly for more than 5,000 years is not accidental; it is because no other known metal or commodity possesses the inherent qualities of gold.

Gold is trusted by all the world, as a basis of exchange and as a measure of the value of currencies, to a degree not even approached by any other means. Gold is rightly regarded as a better security for wealth than the holding of promissory notes and currency issued by governments. Gold is a commodity in unfailing demand, with wide acceptability. It exists in quantities large enough to meet exchange needs, but is not so abundant as to lose its desirability; it is so durable it will not lose its exchange power through decay or deterioration; it can be divided into small units and used in transactions involving small or large amounts; it is homogeneous, and all parts or units have a uniform value and can be equally divided; it is portable and possesses cognizability; it has stability of value so that when contracts are made which involve future payment of money, both parties can have reasonable assurance that payments made in the future in gold will have the same absolute and relative position at the end of the contract as at the beginning.

So, I reiterate, it is no accident that gold has possessed, during more than 5,000 years, and still possesses more completely than any other commodity, all these characteristics, and that through the decades no other medium has been found which so completely fits all the monetary standards demanded by the world.

The reader of history is familiar with the fact that, since the dawn of civilization, the nation possessing, at any given period, the greatest gold stock has, during that period, always lead the rest of the world in progress, achievement and advancement in government, industry and empire building. Chronologically, Portugal, Spain, Holland, France, and, after the Napoleonic Wars, England, each in turn enjoyed great world leadership while each had gold.

Gold Price Pegging

After the Napoleonic Wars, when the monetary systems of many nations of the world were disorganized, Great Britain adopted a policy of pegging the price of gold, which innovation, to wit, "gold monometallism," was the greatest revolution in the use of money for centuries. This pegged gold price remained constant for nearly a century, until World War I. During this period, England reigned supreme financially, commercially and as an empire builder, and it was the most illustrious span of years in her history. During this great English period, commerce flourished, trade became worldwide, and the Sterling Bill of Exchange, based upon a fixed value of gold, became the standard credit money of the world. Traders all over the world, from China to Peru, became familiar with the Sterling Bill of Exchange, and from worldwide confidence in the English Sterling Bill of Exchange came the expression "as good as gold." The Sterling Bill of Exchange provided the merchants of the world a reliable stable, international currency.

Great Britain finally found her gold reserves inadequate, and after heroic efforts to prevent it went off the gold standard Sept 21, 1931. In 1933 even the United States "went off gold," and in 1934 stopped all new gold coinage withdrew all gold then in circulation, and put heavy penalties on private holding of gold. Yet, from 1931 to date, due primarily to its great gold reserves, the United States attained first place as the world's greatest industrial and economic nation, and today we stand preeminent among all nations, the greatest and most powerful nation the world has ever seen.

We have all witnessed, since the end of World War II, the sorry plight into which England and other formerly important nations have sunk commercially, financially and industrially. The chief cause of their troubles has been a shortage of dollars, due primarily by the fact that these nations are no longer on the gold standard. Great masses of inconvertible paper and printing press money have been issued. Politicians have frantically endeavored to replace the lack of gold, with inconvertible paper money and uncontrolled credit, bringing inflation, misery, chaos and revolution.

Sound Money Required for Economic Recovery

Sound money is the first requisite toward worldwide peace and economic recovery. The American people are sorely disturbed by the economic chaos at home and abroad, with the prospect of further regimentation, the mismanagement of currencies and credit by politicians and the probable resumption of all manner of controls. Karl Marx said, and Lenin demonstrated, that "The surest way to overturn the social order is to debauch the currency"; and so persistently have we pursued this course, for the past two decades, that today the dollar and all fixed dollar-value securities, including savings, pensions and life insurance have lost since 1933 65% of their purchasing power. High prices at home, economic chaos abroad, and threats of World War III can largely be attributed to the fact we have permitted politicians to debauch our currency. The United States alone, of all world powers, has the power to restore a sound world monetary system, to return to basic monetary principles, and to lead our nation and the entire world out of chaos. How can the United States do the job? It could, in a relatively short time, put the following measures into effect:

Some Proposals

(1) The Bretton Woods Plan was a major mistake, sold to the United States by Lord Keynes, whose brilliantly insolvent economics were at one time widely accepted in Washington. He was the originator of the statement that "a national debt was of no consequence since we owe it to

(Continued on page 55)

*An address by Mr. Shoup at the National Security Traders Association Convention, Colorado Springs, Colo., Oct. 7, 1949.

Guaranteed Local Housing Bonds

By WILLIAM G. LAEMMEL*
Vice-President, Chemical Bank & Trust Company, New York

After reviewing legislation leading up to the recent Housing Act enacted by Congress, Mr. Laemmel describes probable nature of Federal guaranteed housing bonds, which will be issued by local housing agencies. Holds bonds will create widespread investor interest, and billions of such bonds may come on market in next few years. Foresees fullest use of investment machinery in distribution of the new guaranteed housing bonds.

The Housing Act of 1949, signed by the President in July of this year, has generated much interest and conversation among investment people because of the huge expansion it authorized in the Federally-aided housing program which had its inception back in 1937 when Congress passed the original United States Housing Act. The stated purpose of this Act was to establish a national policy of promoting the general welfare of the nation by the employment of Federal funds and credit to assist States and their political subdivisions in elimination of unsafe and insanitary housing conditions and providing decent, safe and sanitary housing for families of low income. What particularly incites the interest at this time of the investment banking fraternity is the adoption by the Federal Administration of a policy which will promote the sale of local housing agency bonds to the investing public. Such policy will result in the furnishing of almost all of the cost of low-rent housing under this program by private capital. It is important to note here that to accomplish this purpose, Congress, in the Housing Act of 1949, amended and supplemented the original United States Housing Act so that, from now on, Federal funds and credit can be so employed that, pursuant to contract, the credit of the Federal Government will be unconditionally pledged to the payment of the principal and interest of all Federally-aided local housing agency bonds which may come to the market.

William G. Laemmel

*An address by Mr. Laemmel at the National Security Traders Association Convention, Colorado Springs, Colo., Oct. 9, 1949.

Progress of Housing Legislation

This puts me ahead of my story, so we will now go back to the passage of the original United States Housing Act of 1937. Furthermore, we do not as yet have a program in operation under the Housing Act of 1949, but since the past is often prologue, it will be my endeavor to cover the past, present and future by combining known facts with reasonable speculation and anticipation.

To carry out the purposes of the original United States Housing Act, Congress created therein the United States Housing Authority as a corporate instrumentality of the Federal Government. The powers, functions and duties of this Authority are now being administered by the Public Housing Administration. Congress charged this instrumentality with the responsibility of carrying out the authorized program, gave it authority to loan money to local housing agencies with which to plan and finance the cost of constructing new housing projects and the accompanying cost of eliminating slum areas. This authority to lend money included the power to take up bonds of local housing agencies, in an amount not in excess of 90% of the cost of project construction. The Authority was also provided with the means for borrowing the money it was to loan. It was authorized to issue its own obligations which would carry the unconditional guarantee of the Federal Government as to the payment of both principal and interest. Congress likewise authorized this Authority to make annual cash contributions in furtherance of the production of low rentals. Congress likewise prescribed an effective double use for these annual contributions by requiring that they be pledged to the payment of the bonds issued by the local agencies receiving the same. These payments were in fact equivalent, or substantially equivalent, to debt service on the bonds of the local agencies sold to the public, and accordingly contributed substantially to rent reduction. Along with this financial assistance, the Congress carefully prescribed a policing power by requiring that the payment of cash annual contributions by the Authority be conditioned upon good performance by the local housing agencies in the operation of their projects so that the very purposes of the Act would not be circumvented. These conditions precedent to the payment of the annual contributions resulted in the "escape clauses" existing with respect to the bonds outstanding in today's market. The elimination of these contingencies from housing bonds of the future will be discussed later.

The next step toward fulfillment of the purposes of the Housing Act was to find places requiring Federal assistance and local agencies to carry out the slum clearance and low-rent housing program. The slum areas were readily discoverable, but the local agencies to carry out the program were substantially nonexistent. For the most part, slums naturally developed in over-populated areas, pointing the finger towards the cities as the bodies to be dealt with. Cities, on the other hand, as political subdivisions of their respective states, may only perform functions specifically delegated by their charters, or state laws, most of which were wholly inadequate to permit effective dealing with the slum problem. Thus the states were called upon to pass what might here be described as companion legislation, legislation which would permit cities and other appropriate subdivisions to create housing agencies. Many states acted at the earliest opportunity, others followed from time to time over the years. These state laws provided the implement through which political subdivisions could bring into existence housing agencies and authorized such housing agencies to contract for financial assistance from the Federal Government. Such laws also permitted the exemption of project properties of these local housing agencies from local taxation. The purpose of such tax exemption was to conform with the Federal statute which required that local contributions through such property tax exemption, or otherwise, be at least equal annually to 20% of the amount contributed as subsidy by the Federal Government. Such state legislation also authorized local housing agencies to create debt in an amount sufficient to cover their entire capital outlay for low-rent housing projects and the related slum elimination. Furthermore, the entry of the states into this program was essential since it is from the states that the powers of eminent domain stem. Power to condemn private property has proved an absolutely necessary weapon in public housing procedure, and site acquisition in many cases would have been quite impossible without this power of condemnation.

Provisions of New Act

If we were to review the blackboard for just a moment, it would be noted that we now have the PHA as the agency of the Federal Government ready to supply the financial assistance, and the local housing agency, as the instrumentality of the state, ready and able to construct, finance and operate the housing project. It is accordingly in order for us to join them together in the accomplishment of the desired purpose. This union is brought about through the execution by said agencies of a contract for financial assistance.

For a local housing agency to qualify as a party to such a contract, its representatives go to Washington (as so many of them are doing these days in order to partake of the new program), present their physical needs, describe their proposed plans and make application for financial assistance from the PHA. When PHA has approved the proposed project of the local housing agency, the contract for financial assistance is signed and the representatives of the local housing agency hurry back home to make the dirt fly.

In the early stages of planning and construction of the project, monies required by the local agency are advanced by PHA or public financing is resorted to through the sale of temporary loan notes. These notes, issued for short periods, are refunded from time to time until construction of the project has advanced to a point where final development costs can be determined with reasonable accuracy. This point is customarily reached sometime after all major construction contracts have been let on a fixed-cost basis and secured by performance bonds and after actual construction is well along the road to completion. As stated previously, the total capital cost of the project is customarily financed with a bond issue and hence the amount of the local agency's bond issues equals the cost of the project.

(Continued on page 66)

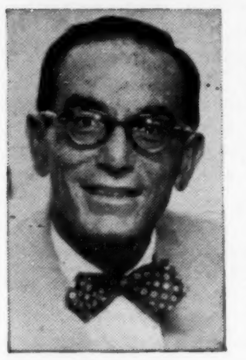
The Equity Share as an Inflation Hedge

Recent European and American Results

By A. WILFRED MAY

Emphasizing the divergence between the worldwide status of the investor and that of the investment industry, Mr. May details and analyzes the recent comparative performance record in Europe and the U. S. of the equity share in affording protection against currency depreciation. Shows French equities, after rural land-holding and gold have acted most favorably, with relatively "unseasoned" American shares lagging. Concludes equity securities have in all countries afforded some, but by no means complete, protection—at any rate sufficent to necessitate portfolio inclusion.

LONDON — From the *security-holder's* viewpoint, the distinction between his own status and that of the investment *industry* must sight of on either side of the Atlantic. The degree of opportunity and duty remaining for the individual investor is not at all correlated with the seemingly permanent Great Declines in the world's financial centers since the halcyon 1920s and 1930s. Americans must not forget that the Dow-Jones stock price average doubled from 1942 to 1946; that there are still 1,460 issues with a market value of $71 billion traded on the New York Stock Exchange (there were only 1,280 listed issues at the height of the 1929 all-time boom), and 50,000 unlisted issues receiving continuous published quotation off-the-exchanges. Despite the drastic long-term decline in the volume of stock exchange trading, the drying-up of liquidity, the dearth of new capital financing and the reduction of the publics' interest as well as wherewithal for security-ownership, the equity share still constitutes one of the basic investment media of our times.



A. Wilfred May

Major investor attention has naturally and rightfully been directed toward the destructive external elements affecting the capitalist, embracing specific controls; general discrimination against private capital, free enterprise, and profit-making; and probably of very first importance, the instrument of taxation as it hits both the invested and uninvested capitalist. But this side of the medal must not obscure the necessity for carefully weighing the merits of the equity share, even if only defensively vis-a-vis other media for the location of one's capital. And nowadays the reasons for doing so are importantly accentuated by the permanent potentials for inflation.

While prediction of the timing or extent of inflations is impossible, this threat in Europe and the U. S., and its presence outside the confines of the existence of war, is no doubt a constantly effective factor. Irrespective of individual political ideology or bias, and whether one approves or not, one must recognize the fact of the worldwide secular progression to the Welfare State through social security devices, pervasive interventions in every avenue of business, minimum wage legislation, basic full employment philosophy —all firmly imbedded in our political economies here and abroad. These phases are wholly apart from and additional to the conduct of a shooting-war and even to our arsenal-of-democracy defense expenditure.

The Investment Experience Abroad

Following these considerations, this writer has just amassed data in France, Switzerland, Italy and here in England, showing how various media for capital-employment have fared during the period extending back to the World War's outbreak. In such a study France is particularly interesting because of its traditional "real property-mindedness" and related predilection of rank-and-file gold-holding.

French Land Rise Exceeded That of Securities

In France more than any other country the *rentier* has suffered —having lost great ground, both absolutely and as compared with other segments of the community. In the face of his 17½-fold increase in the cost of living since 1939, the price of government bonds has declined by 40%. Hence the bondholder has really suffered a capital levy of 98%. The holders of common stocks, as well as of land and gold, have fared far better than holders of currency. Gold has enjoyed a 25-fold increase, equivalent to a *real* improvement of 50% in the holder's economic position versus the currency; rural land has benefited from a 20-time increase; and the market price of common stocks has risen 11 times—equivalent to a 33% decline in the shareholder's real position. Salaries and wages also have risen less than the cost of living.

In comparing gold, land, and equity results, the factor of dividend-income must be recognized as an offset. But studies coming to the attention of the writer show that even with allowance made for the income factor, even during the inter-wars period gold-holding was more advantageous than stock investment.

Incidentally this demonstration that equity shares have done better than fixed-interest but have not kept up with depreciation of the currency, also applied to the inflation following World War I (see "Security Prices and Inflation," by Ivan Wright and Margot Henn, in the "Chronicle," Aug. 28, 1947).

During the 17½-time increase in living costs, wages have risen nine times.

Italy

In Italy the National Index of Cost of Living, with 1938 equalling 100, is now at 4,800, after having over reached a maximum of slightly above 5,000 last May. Of this 5,000% rise in the citizen's costs, he would have offset 29% by putting capital into common stocks (indices of the principal shares listed on the Milan Stock Exchange now average 1,347 with 1938 as 100). The price of government obligations has declined by 3%, with the yield very slighly higher. The price of gold since 1944, when the information became available, has just kept pace with the rise in common stocks.

Switzerland

In Switzerland, that capitalist oasis and seemingly permanent haven of refuge for refugee capital, the equity share-currency depreciation record has been similar to that in "confetti-currency" Italy, as well as to that of "soft" France. Since 1938 the cost of living in this hard-currency land rose by 60% (versus 90% in the U. S.), but Swiss industrial common stocks gained only 19%. The price of Federal bonds rose by about 3%, with a 10% decrease in their yield (owing to lower coupon rates).

The Swiss stockholder thus has had a real loss of about 40% through the decline in the value of his currency.

British Experience

The comparable performance here in Britain is particularly interesting to us both because of the London "City's" activity decline similar to Wall Street, and because of the impact of repercussions from the Labor Government's accession to power in 1945, with its analogy to Truman "Welfare-Statism." Following are indexes of the cost of living, and of industrial equity share prices (based on 1914 equalling 100 in both cases):

Year	Cost of Living	Indust. Equities	Yield on Consols.
1938	156	110	3.9.11
1939	158	98	3.15.5
1940	184	80	3.8.9
1941	199	90	3.1.2
1942	200	110	3..9
1943	199	127	3.1.11
1944	201	145	3.2..
1945	202	160	2.17.4
1946	202	180	2.12.5
1947	204	175	2.15.10
1948	214	155	3.3.6
1949 (Sept.)	222	145	3.7..

(Continued on page 67)

EQUITY SHARE RISES AS OFFSET TO CURRENCY DEPRECIATION, 1938-1949

	Cost of Living	Equity Prices	Proportion of Living-Cost-Rise Offset
Great Britain	+42%	+32%	76%
France	1,650	1,000	66
Italy	4,700	1,247	29
Switzerland	60	19	32
*U. S. A.	95	25	26

*1935-1939 averages used as the bases.

The Business and Market Outlook

By ANTHONY GAUBIS
Investment Counselor

Investment analyst expects further rise in stock prices, but sees danger of nearby cyclical peak in the 190-210 zone of the Dow-Jones Industrial Average. Believes outlook for foreign trade and satisfaction of pent-up demands form a basis for possible downward spiral in business activity and stock prices during 1950.

Evidence is accumulating in support of our long standing prediction that stock prices are likely to record an important cyclical peak by sometime this Fall. We are cognizant of the fact that this is contrary to the prevailing Wall Street opinion, but for reasons outlined below, we do not think that the risks of going against prevailing opinion are very great at this time.

Anthony Gaubis

To begin with, we believe that the current "lift" in psychology can be traced to a natural rebound from the extreme pessimism of last May and June. At that time, many people mistook a readjustment in inventories to mean the beginning of a downward spiral in business, and most of the Washington services were telling us that the trend of business was likely to be downward at least until the end of the year, and probably well into 1950. Important contributors to the recent increase in optimism include: (1) the failure of the market as a whole to decline to below the 1946 and 1947 support levels, as had been so widely predicted (the extreme low on June 14th was 13c above the low of 160.49 touched in October, 1946); (2) the improvement in the level of brokerage activity; and (3) the rise of more than 15% in the price of the average stock since mid-June. However, although this psychology or confidence spiral has led many people to bid up for stocks which they apparently thought were overpriced at the same or lower levels during the earlier stages of the postwar boom, it has not changed any basic fundamentals.

Implications of the "Rolling Readjustment"

As has been pointed out by other economists, we have been witnessing a "rolling readjustment" in business during the past three years. This was particularly noticeable in the radio business in 1947, the motion picture industry in 1948, and in textiles this year. These readjustments did not result in a general downward spiral or "recession" in the usual meaning of that term. (Evidence in support of this statement may be found in the Department of Commerce statistics which show that aggregate personal incomes during the first seven months of this year were **above** the record-breaking level of the corresponding period in 1948; the very satisfactory rate of automobile sales; and the maintenance of steel production at or above 80% of rated capacity in each of the first three quarters — a level which was never associated with a "recession" in prewar years).

We believe that no one should have been surprised that declines in employment in any industry have not led, so far, to the normal economic sequences of repercussions in automobile sales, building activity, et cetera, and then back to a further reduction in employment in the first industry. As I pointed out in a talk before the Association of Customers' Brokers in November, 1947 (see the "Chronicle" of Nov. 20, 1947): "It is hard to see how we can get a downward spiral in business activity as long as these cyclical industries (building, automobiles, heavy industrial and electrical equipment, and railroad equipment) appear likely to operate at a high level, **and as long as we continue to export, on balance, at least five or six times our average rate of exports in the 20's and 30's.**" In light of recent developments, does it not seem unwise to be as confident of a well sustained level of over-all business activity as it appeared reasonable to expect in 1947 and 1948—in spite of the decline in the stock market during the third quarter of 1946?

The very healthy readjustments in inventories during the first half of this year will undoubtedly cushion the declines in business (and in profits) which we believe are in prospect for 1950. However, declines in operations in some of our highly cyclical industries appear to be almost inevitable, barring only a very substantial further increase in expenditures for armaments. In that event, the outlook for a sizable increase in tax rates, plus the trend toward lower profit margins, would still spell trouble for the stock market.

The Business Outlook

Before examining the outlook for business activity and corporate earnings in detail, it might be in order first to analyze just what is behind the recovery in new orders during the past three months. The most important factor has been, of course, the necessity of replacing any goods which had been consumed or sold, once inventories had been worked off to a minimum level. The unwillingness of suppliers to keep their own inventories up to a point where customers' requirements could be satisfied at short notice has made it necessary to lengthen commitments, which for a time, at least, requires placing of orders in excess of the current rate of consumption.

In the meantime, consumer demand for semi-durable and durable goods has been stimulated by a definite relaxation of instalment credit terms. Refrigerators, washing machines, television sets, and even automobiles are being sold on a "nothing down" basis. The total amount of instalment credit outstanding is now at a new high level. To a substantial degree, this means that we have been borrowing business from next year—both by selling products which might have normally been sold at a later date, and by mortgaging next year's consumer spending power. Another less obvious temporary stimulant to business, at the expense of next year's sales, is the stocking up of goods produced in plants or industries where costs are likely to rise substantially with the enactment of the 75c minimum wage law. We estimate that at least five million workers will be affected by this legislation, either directly or indirectly. Stockpiling in anticipation of rising costs could result not only in a subsequent sharp decline in operations or sales, but might also catch many workers by surprise: tomorrow's pay checks might prove to be smaller than those of today, in spite of a Congressional mandate requiring higher rates per hour.

The railroad equipment, agricultural implement, heavy machinery, and automobile industries all seem to have caught up with the pent-up demands for their products. To the extent that they were able to accumulate inventories of steel this year (as compared with subnormal inventories on Jan. 1), this means that purchases of steel next year are likely to decline by more than the probable reduction in operations in these steel consuming industries. What is even more important, we now have the makings of a downward spiral, inasmuch as the steel companies no longer have buyers waiting for the steel that some other customer may release, and the automobile manufacturers will also feel the effect of any widespread order cancellations for the first time since the end of the war. (It is being argued that the demand for passenger cars will hold at near this year's record-breaking levels because so many cars on the road are more than ten years old. We are not inclined to take this line of reasoning any more seriously than the analysis in early 1947, calling for a very limited production of cars for some time to come because few people were thought to be able to afford automobiles at almost double prewar prices.)

Unfavorable Labor Cost Prospects

The fourth round of wage demands, which apparently will be settled largely by health benefits and pensions, must also be placed on the unfavorable side of the economic ledger at this time. Historically (and logically), increases in wages or wage costs are bullish during the early stages of a business cycle, but bearish when they occur under more highly competitive conditions. This is true because the initial advances in wages stimulate buying, and usually involve a correction of maladjustments. More often than not, later gains merely reflect unusual organization strength of some minority groups, and tend to increase maladjustments. Higher compensation by way of payments into a pension fund do not, of course, even have the temporarily stimulating effect of an immediate rise in the spending power of the favored group.

Within the next few months, we must also face the prospect of progressively greater foreign competition. Our gifts and loans to Europe will almost certainly start to taper off, and a very substantial decline in European spending is likely if Congress decides to try to balance the Federal budget in anticipation of a tough battle at the 1950 elections. In the meantime, devaluation of foreign currencies can be expected to gradually raise the cost of living abroad, which in turn will release more goods for export. We have been living in a fools' paradise if we think that we can permanently have an export surplus of $6 to $8 billion a year, and all of the temporary economic advantages that go with enjoyment of the buying power of the workers engaged in producing goods for export, but without the competition

(Continued on page 64)

Europe on the Sales Counter

By MELCHIOR PALYI

Dr. Palyi, in commenting on effect of currency devaluations, points out lowering prices of European goods "will not do the trick," unless larger and less costly industrial production results. Says Britain is unable to produce and deliver greater quantities of goods, and, even if our British imports increase, U. S. producers will lower domestic prices to meet the competition. Cites former statement of Sir Stafford Cripps that devaluation will be disastrous to Britain. Holds outlook for other devaluation countries is no better and contends immediate impact on U. S. will be some loss in export markets, but points out lower priced imported raw materials will benefit us. Concludes dollar will have to support pound in new role.

You are familiar with the latest devaluation merry-go-round. To the best of my knowledge, so far, 23 countries have devalued to extents varying between 30% or so, as in Britain, and 10% as in Canada. Others are under way. With the exception of Switzerland, Pakistan, Latin America and the Russian sphere — but at least one satellite, Czechoslovakia, has followed already — almost the entire world outside of this country is in a monetary pandemonium.


Dr. Melchior Palyi

What does it all mean? Let us look first at Great Britain in relation to the export markets. Suppose that British prices stay put in terms of pounds, i.e., fall in dollar terms according to the devaluation. They will not do that, to be sure, but let us suppose for the sake of argument that they would. What then will happen?

Everything British should be available to us 30% cheaper. That is the sales bargain of which I spoke. But is this a real possibility? It may sound like a paradoxical question. However, the answer is definitely "no." The goods would be forthcoming very partially only, disregarding the moderate sized British inventories which should be exhausted pretty soon.

Just the other days I heard a story throwing light on that angle. Canadian businessmen, more precisely Toronto businessmen, got together a little while ago, before the devaluation, and decided to do something big to help the Old Country. They decided on a great campaign to sell British goods. The largest mail order house of Canada, which was just sending out its Fall catalog, took the back page of that voluminous catalog, printed in tens of thousands of copies, and printed a big announcement on the back page of that book about British-made motor bicycles. The checks came in by the thousands, and the orders went to London. The answer was, "in four months' time we start delivery." Imagine the annoyance of the mail order house. The checks had to be sent back. It cost a lot of money merely for the correspondence. In other words, it is one thing to lower prices, and quite a different thing to deliver the goods.

Prices Alone Do Not Do Trick

Very little attention has been paid to this aspect of the situation. Prices alone do not do the trick. The problem is production and marketing in Britain. They have to get the workers and the plants going. It is one thing to sell goods on a bargain counter which are already available, possibly on this side of the Atlantic, and another thing to take in new orders in large quantities. Stepping up production is a much slower process in Britain than in this country, and especially slow under the impact of large unexpected orders. The British industrialist is caught in a highly discouraging maze of red tape that stymies every initiative. And he was as little prepared for a devaluation as anybody else was. Nor was the worker, for that matter. If wages are to be frozen, the workers will have no incentive. If they rise, and costs go up appreciably, or if—as it is certain—the Labor Government reinstitutes the excess profits tax (or if both things happen), business loses all incentive.

Moreover, there is the marketing problem. Britain's outlet is not just in the dollar area. Reducing the price of the pound against the dollar does not mean necessarily that the British producer will rush into the dollar market. He is interested in pounds, not in dollars, not because he prefers the pound to the dollar, but because he does not get the dollars anyway. They have to be delivered, as you know, to the Bank of England. The prime question of the British exporter is not how his dollar price is affected by the devaluation, but: how are pound prices affected? If he produces, say, woolens, and the pound goes down in value all over the world, as it does in varying degrees — with exceptions, mostly within the British Empire —the amount of pounds the producer gets being what matters, he might as well sell in other countries as on this side. As a matter of fact, in many cases he might as well sell at home, if domestic prices rise, too. And they must rise. Moreover, and that is the significant point, his profits (in pounds) may be greater if he does not lower the dollar price of his product at all.

In short, even if the devaluations would be fully effective in the export price level of Britain, the British would not and could not flood the world markets, least of all the markets of the dollar world. But of course, the effect of devaluation will not be a 30% reduction of their dollar prices. It will be much less. The estimate is that perhaps an average of 10 to 20% reduction vis-a-vis the United States would come about. That leads to another aspect of the question.

Whether the price reductions in the American markets amount to 10 or 20%, or more, it would take more than an equal amount of hike in the physical volume of exports merely to earn as many dollars as they earned at the previous higher valuation of the pound. If they sell us automobiles 30% cheaper than before, they would have to sell about 44% more of them to earn just the same amount of dollars as before. In other words, the dollar position of Britain is not improved, although her competitive position has been strengthened, if the sales do not amount to more than the percentage equivalent of sales to the percentage decline of the value of the pound sterling.

Will They Sell Us More Goods?

Now, then, the question is, will they sell more units than in proportion to the dollar price cut (if any)? Which amounts to asking, how elastic is the American demand for British goods? Will it rise in the same proportion as prices go down, always assuming that British prices do go down substantially for export purposes, and will stay down for a while? Or will it rise more, or less, than in line with the decline in dollar prices of the commodity at stake? Of course, there is no cut and dried answer to the question. It will vary not only by commodities, but also by countries. For example, in Canada there will be a substantially greater rise of demand for British goods if their prices fall than in the United States, because the Canadian is better acquainted with them and likes them more. Also, he has something of a non-economic incentive to buy British goods. Many British commodities would not sell much better in this country at a 10, 20 or even 30% cheaper price than they did before. As a matter of fact, having been overpriced, such reduction may bring them just about on a par with our prices.

And one more point in this context, still assuming a substantial fall in British export prices. The more effective the devaluation is in terms of British export prices, and the more elastic the American demand is—that is, the more we buy at cheaper prices than we would have bought at higher prices—the stronger will the British competition make itself felt in this country. But then, the pressure on our system will be enhanced accordingly and pretty soon we will adjust many of our prices to the competition.

To be sure, we would not buy a great many Austin cars if they fall in price by, say 20%, which is the most that may be expected. Most Americans would not change their car-owning and car-running habits. But if they did, if many people were to sell their old Fords and acquire new Austins (a fantastic example), well then nothing better could be wanted. The result would be, you can rely on that, that Mr. Ford would lower the price of his output. We are not a cartellized country, much less so, indeed, than most European countries are. We are very competitive and ready to give up profits if we have to. The American competition would soon become effective. In come commodities the profit margin is so narrow that the foreign competition could not be met. But that is exceptional so far as manufactured products for mass consumption are concerned. Briefly, the bargain counter would not last long.

One more point occurs to me—still assuming that the devaluation is effective pricewise and remains effective for some time. What about the competitors of Britain who have also devalued their currencies? Britain produces few things which have no competitors in this market from other devaluing countries, such as France and Germany, Belgium and Italy. Even if Japan is not permitted to devalue, German devaluation is around the corner. From the totally unrealistic 30 cents to the mark, it is supposed to be reduced to 20 cents to the mark or so.

All of which adds up to a very short-lived bargain counter. But even that is doubtful, disregarding exceptions, because of the effects of devaluation on domestic costs and prices in Great Britain.

Sir Stafford Cripps' Change

I have before me a British announcement coming from the

(Continued on page 58)

Tax Deductions for Worthless Securities

By HERBERT ARNOLD STRANGMAN
Tax Accountant, Los Angeles, Calif.

Tax accountant explains terms and procedures under which deduction from individual income taxes may be permitted on account of securities becoming worthless. Points out losses must be taken in year securities become valueless, and period for filing claim is limited to seven years. Cites examples of loss deductions.

From time to time, changes have been made in the provisions relating to income tax deductions for worthless securities, and it is quite likely that the transactions of some investors may have resulted in their having legitimate deductions, or timely claims for refund, of which they are not aware.

The term "securities" includes stocks, stock rights, bonds, debentures, notes, or certificates, or other evidences of indebtedness, issued by any corporation (including those issued by a government or political subdivisions thereof), with interest coupons, or in registered form.

Losses arising from worthless securities must be treated as losses from the sale or exchange of capital assets, on the last day of the taxable year, regardless of when during the year such securities actually became worthless. Therefore, they are subject to the "capital loss" limitations.

Capital assets which have been held for six months or less are classified as "short-term," and those held for more than six months as "long-term." "Capital Loss" is the sum of short-term losses at 100%, plus long-term losses at 50%. "Net Capital Loss" is Capital Loss minus Capital Gain. It may be deducted from gross income up to the limit of $1,000, and any balance that remains may be carried forward for five years to be applied against Net Capital Gain, if any, in such years, and/or as a deduction from gross income, limited to $1,000 for each year.

From the foregoing, it will be readily apparent that the majority of losses from worthless securities are, essentially, "long-term."

Loss Must Be Claimed in Year Securities Become Worthless

Deduction for worthless securities must be made for the year in which securities actually become worthless. It has proved to be extremely difficult in many instances to establish the year in which worthlessness took place to the satisfaction of the revenue authorities, and many deductions have been disallowed on that account. In this connection, a good rule to follow is that worthlessness occurs in that year in which an event takes place which extinguishes the equity of the security. Also, it is important to establish that the security had actual value at the beginning of such year. Value must be real. Sometimes a stock may have a market value which reflects only "nuisance value." As an illustration, a taxpayer claimed deduction for worthless securities in his 1945 income tax return. Investigation developed that at the beginning of 1944 the assets of the corporation exceeded its liabilities; however, at the end of 1944, liabilities exceeded assets by more than two to one. Accordingly, the deduction for the year 1945 was disallowed on the grounds that the stock actually became worthless in 1944. Inasmuch as the stock had no value at the beginning of 1945, worthlessness could not have occurred in that year.

Where the value of a security has diminished substantially, it might very well be preferable to sell it, thereby establishing an incontestable loss, rather than wait until it becomes worthless, and run the risk of the possibility of a difference of opinion with the Revenue Department as regards the actual year in which worthlessness took place.

Basis of Computing Losses

Losses must be computed on the cost, or other basis, of securities. Where securities are acquired under a will, the basis is the market value at date of death of the decedent. As regards securities acquired by gift, in order to establish a loss, the basis is the cost to the donor, or market value at date of gift—whichever is the lower. Any adjustments to the cost basis, such as liquidating dividends, must be taken into account.

Example:

Taxpayer purchased 1,000 shares on April 15, 1944, for which he paid $10,000. On March 31, 1946, he received a liquidating dividend of $3 per share. The stock became worthless on Sept. 23, 1947.

Cost of stock	$10,000
Deduct: Liquidating dividend 1,000 shs. at $3 per share	3,000
Adjusted Cost Basis	7,000
Amount realized	None
Loss	$7,000

The stock would be regarded as held from April 15, 1944, to Dec. 31, 1947. The loss, therefore, is "long-term," and only 50% of $7,000, or $3,500, can be taken into account in computing the taxpayer's "Net Capital Gain" or "Net Capital Loss" for the year 1947.

Under the provisions of the Revenue Act of 1942, the period of limitation for worthless securities was extended from three to seven years. Accordingly, timely claims for refund in respect of securities which became worthless as far back as 1942 may be made up to March 15, 1950. Also, under this provision, if deductions for worthless securities have been made in prior years, but were disallowed on the grounds that worthlessness took place in some other year, refund claims may be made for the year of worthlessness thus established, provided, of course, the seven-year period of limitation has not expired. For example, a taxpayer claimed deduction for worthless securities in his 1944 income tax return, which was disallowed on the grounds that they became worthless in 1943. In this case, the period of limitation has not run, and a timely refund claim for the year 1943 may be up to March 15, 1951. Before making a refund claim in respect of a prior year, however, it is important, first, to ascertain whether any tax was paid in that year against which the refund could apply.

Where a deduction for worthless securities has been sustained, and subsequently the taxpayer receives cash in respect of such securities, the amount received must be included in gross income for the year in which it is received, unless it can be shown that there was no reduction in the amount of income tax paid as a result of the deduction for worthless securities for the year the deduction was claimed.

Example:

A taxpayer has gross income of $6,500 for the year 1949. Deductions for taxes, interest, etc. $3,500. He has five exemptions, $3,000. During 1949, securities became worthless, of which the cost basis was $2,000. Should it develop that this taxpayer receives, say, $800 in respect of the worthless securities in a later year, he would not be called upon to include this amount in his gross income for such year, because he derived no benefit of reduction in income tax paid attributable to the worthless securities, as follows:

Gross Income	$6,500
Deducs. for taxes, int., etc.	3,500
Net Income	$3,000
Exemptions 5 @ $600	3,000
Taxable Income	None

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Lynch, Allen & Co., Dallas

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Paine, Webber, Jackson & Curtis, New York

*BECK, EDWIN L.
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(Continued on page 16)

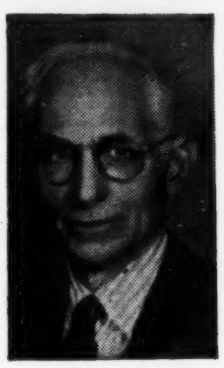
*Denotes Mr. and Mrs.

Will Point IV Plan Revive Foreign Investment?

By A. M. SAKOLSKI

Dr. Sakolski, calling attention to the almost universal approval of the broad terms of President Truman's Point IV Program, contends our present creditor nation position and large export surplus must logically lead to capital placement abroad. Explains reasons for British export of capital in 19th century and its reversal. Sees no immediate prospect for renewal of large markets in U. S. for foreign securities because of current low prices of domestic equities and the still more current unfavorable climate for foreign investments. Warns foreign investments should be made primarily on sound business basis.

Almost everyone seems to be back of President Truman's Point IV Program. It has been endorsed not only by all political elements, but also by the jarring tribes of quarreling economists. This general agreement undoubtedly has its roots in the recognition that the United States, as the leading creditor nation of the world and the largest exporter of goods in relation to its imports, must follow the line of other nations who were previously in the same situation, and place a part of its capital in foreign lands and thus bring about a balance of international payments. No other course is available if the nation's favorable foreign trade position is to continue and "splendid isolation" avoided. It is indeed, a political and economic axiom that no area of prosperity, however large and diversified, unless it is self-sufficient and isolated, can endure in these days when surrounded by impoverished neighbors. The economic inequality is a constant source of political and economic disturbance.



A. M. Sakolski

International investment is a product of western civilization. It arises from the necessity to trade in order to obtain and absorb for home consumption materials obtained outside of national boundaries. Whatever may be the productive systems of national states under modern civilization, they can and eventually will resort to international trade. In most industrial countries there is, almost without exception, an inadequacy of essential raw materials or foodstuffs, which can be obtained either by exports of manufactured products or through the application of capital abroad. Since the sources of such raw materials are largely found in new or backward countries, it is but logical that either the export of capital goods or the export of capital should flow to these areas.

The Example of Britain

For several centuries before 1914, the world's leading exporter of capital was Great Britain. At the outbreak of World War I, British investments in the United States alone were estimated at nearly $5 billion. British investments in other regions were proportionately as great, and her technicians followed in the wake of her flow of capital. Anyone who has studied the export of British capital may be amazed, at first, at the persistency and willingness of British capitalists to risk their funds abroad. Despite repeated setbacks, such as failures, repudiations, political revolutions, and confiscations, the export of British capital continued almost without interruption through the 19th century. By necessity, it eventually came almost to an absolute halt because of two costly and devastating wars. Yet, considering the economics of the situation, foreign investment for British capital was more of a necessity than choice. Such, also appears to be the present situation in the American economy.

It may be expected that American capitalists, like their English cousins did in the past, will have no hesitation in placing investments abroad, if they see opportunities for profit. The flow of capital, other things being equal is generally toward fields which furnish the highest rate of return consistent with safety. This is an established economic law. But it can operate only when and where there is economic and political stability and security of property. The rebuilding of Europe and the redistribution of the world's gold supplies can be accomplished much more rapidly with the assistance of American capital and the application of sound American business and financial acumen than otherwise. Certainly, there should be no political or economic objections to "normalizing" of our gold hoard by proper and judicious investments abroad. There will arise, of course, the argument that we have tried all this after the First World War with unfavorable and unpleasant results to ourselves. But the dark side of the picture of our experiences with investments abroad tends to be grossly exaggerated, whereas the favorable and beneficial aspects have been belittled.

Nor were these former foreign loans, in the main, negotiated and distributed, as has been erroneously contended, through fraud and deceit. The errors and misjudgments were due in large part to reckless rivalry and greed, as well as to the inexperience of American bankers with foreign financing. The difficulty was that many of the foreign loans which were issued in the United States should not have been distributed to the public as investments, but instead, should have been carried directly by capitalists, who were capable of bearing the risks involved. They were not meant for widows and orphans. As stated by Dr. Amos E. Taylor, former Director of the United States Bureau of Foreign and Domestic Commerce, in a pamphlet issued several years ago by the Monetary Standards Inquiry:

"It should not be assumed that after the war, the experiences in the American foreign investment of the Twenties will be repeated. Under conditions short of sustained world prosperity and strongly established political order and world wide monetary stability, it is possibly safe to expect that equity investments will provide the primary medium for international investment. So-called 'direct' investments imply the usual risks and do not exert the pressure on the exchanges under the unfavorable conditions as do obligations calling by contract for specific annual payments in currency to the creditor."

The export of capital has been, perhaps, the greatest factor in the expansion of international trade and economic development that the world has known in the last two centuries. It was largely by this means that our own great country was aided in the rapid development of its economic and financial resources. And it was mainly by export of capital that Great Britain became the world's financial center and a leading trading nation, and that, by the same means, she was enabled to draw upon remote resources to carry on two destructive and expensive wars within a generation.

In the evolutionary process whereby the United States in the brief period of a quarter of a century has changed from a debtor nation to the leading creditor nation, it cannot be expected that the duties and responsibilities involved in this change can be abruptly set aside, and a policy of financial isolation and economic insulation readily substituted for it. If this nation is to maintain the leadership in international political and financial affairs which world economic evolution has thrust upon it, we must either follow an altogether altruistic policy of unadulterated charity or we must help our neighbors while seeking at the same time to help ourselves. *Our future foreign investments, therefore, should be made strictly on a business basis and our own interests should be a prime consideration.*

The Novelty of Government Guarantees

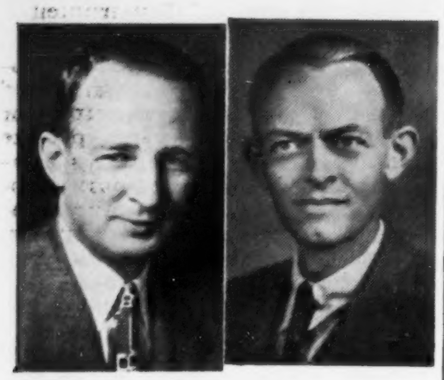
As is now well known, it is proposed under the Truman bold Point IV Program, to encourage or stimulate the placing of private capital abroad by furnishing limited guarantees against losses arising from certain risks and contingencies. Among these risks to be covered are those relating to exchange fluctuations, embargoes on capital movements, and confiscations or similar actions by political authorities abroad. Nothing definite along these lines has yet been determined, but it appears that no guarantee of profits or a minimum return on capital is contemplated. Certainly, even in its limited application, such as a system of government guarantee is probably without precedent. Following the First World War, Great Britain and several other European countries, in order to stimulate exports and recover foreign markets for their products, fostered plans of guaranteeing foreign mercantile credits. But the outright guarantee of private capital commitments abroad was never undertaken. In fact, the investment of funds abroad by European nations at that time was discouraged rather than stimulated by political action. The only exception appears to be the Austrian Reconstruction loan of 1923, which was severally guaranteed by eight European nations, all members of the ill fated League of Nations. At that time funds were needed at home for reconstruction and development rather than for dissipation abroad. It was in this period that the United States became the main source of new capital, particularly for Europe and South America.

The important consideration to be borne in mind in connection with the proposed government guarantee, is that it applies to capital placed in non-governmental undertakings. This is, indeed, the novelty of the proposal—and has considerable historical significance, in that it is a complete reversal of the old mercan-

(Continued on page 68)

Report of Public Relations Committee

John M. Hudson, reporting for Collins L. Macrae, Jr., the Chairman, absent on account of illness, says the Committee has broadened its activities to reach regulatory authorities as well as public, business executives and newspapers. Praises cooperation of press and improved calibre of advertising copy. Endorses study of over-the-counter securities market and concludes much work is still to be done.



Collins L. Macrae, Jr. John M. Hudson

COLORADO SPRINGS, COLO. —The following report of the NSTA Public Relations Committee was presented to the convention meeting by Vice-Chairman John M. Hudson in the absence of Chairman Collins L. Macrae, Jr., who was unable to attend because of illness:

Your Public Relations Committee this year assumed the broadest possible concept of our work, looking to the education, not only of our members, the public, and of business executives, but also attempted to carry our story to those serving in a regulatory capacity.

A somewhat expanded group of representatives this year attended the Third Annual Dinner in honor of the Securities and Exchange Commission, tendered by NSTA at the Hotel Carlton in Washington, D. C., on April 20, 1949. This dinner was dedicated to moving us all along the road to mutual understanding and appreciation. Copies of the dinner program received wide distribution.

Members of your group have met frequently through the year with members of the Commission and staff of the SEC. It is an extreme pleasure to have two of the present four Commissioners, attending this convention as guests, participating in our activities.

In general, the feeling prevails that this policy of attempting to reach a mutual understanding should continue. The rules under which we operate are largely a matter of law and our recourse is in good legislation. Your Committee wishes to emphasize the work of the Legislative Committee in this direction, particularly as to the "Frear Bill." Exhibit "A" is an excellent example of a local affiliate's legislative endeavor.

Business executives have undoubtedly become increasingly conscious of NSTA and its affiliates this year. Exhibits "B," "C," "D" and "E" indicate the manner in which some locals have secured the cooperation of corporation executives in their area. Also, this year, for the first time, NSTA and affiliates have solicited corporation advertising to appear in the Convention Issue of "The Commercial and Financial Chronicle." Regardless of the degree of success of this campaign, corporation officers have become NSTA conscious.

Your Committee and fellow-members have tried to work with newspapers and other publications in such a way that the wording of an article will not be adverse to our business, or if something adverse does appear, an attempt is made to refute same. (See Exhibit "F.")

The press throughout the year has been cooperative in carrying news items covering activities participated in by our members. We refer particularly to merchandising and educational efforts at home shows, investor classes and other gatherings attended by the public.

The "trade" papers have as usual cooperated in carrying educational articles contributed by our members. Their editors have also made some worthwhile contributions. An article, "When Should a Stock Be Listed?" by your Vice-Chairman, and "There Is Opportunity in Unlisted Securities," by Raymond Trigger, were reprinted from "The Investment Dealers' Digest" and mailed to each member of NSTA. A second educational article, "Why Should a Subscription Privilege Be Serviced Gratis?" is appearing currently in the "Digest." Reprints are available.

The calibre of advertising copy used by many investment houses has improved substantially in the past year. The current trend has been away from so-called "tombstone" ads and is designed to attract investor interest by offering educational opportunity.

An outstanding series, "Lest We Forget," has recently been published in newspapers in Ohio by the Ohio Company of Columbus.

The Public Relations Committee wish to endorse "The Wharton School Survey." This study of the over-the-counter securities market will be extremely beneficial to the public and to the whole investment fraternity. Your cooperation is necessary.

In closing, we can only emphasize that public relations work must continue in our Association. There is much to be done.

We sincerely regret the sudden illness of Collins Macrae, Chairman of your Committee. This untimely event delayed the activating of our work.

We wish to thank the officers and members for their cooperation and for the opportunity to assist in the work of this group.

Respectfully submitted,
PUBLIC RELATIONS COMMITTEE

Collins L. Macrae, Jr. (Chairman)
Wulff, Hansen & Co.
San Francisco

John M. Hudson (Vice-Chairman)
Thayer, Baker & Co.,
Philadelphia

Jean E. Bennett
Jean E. Bennett & Co.,
Cincinnati

Jasper F. Stephens
Herrick, Waddell & Reed, Inc.,
Kansas City

Nieland B. Van Arsdale
Blyth & Co., Inc., Los Angeles

Exhibit "A"

Daytona Beach, Fla.
Sept. 24, 1949.

Mr. John M. Hudson,
Vice-Chairman,
Public Relations Committee,
National Security Traders Assn.,
Thayer, Baker & Co.,
Commercial Trust Bldg.,
Philadelphia 2, Pa.

Dear Mr. Hudson:

I have your letter of Sept. 20 relative to your desire to have a report from each affiliate in connection with any work we have done of a public relations nature.

Our primary work along this line, which I believe falls in this category, is the inauguration of a legislative program which is designed for the mutual benefit of both the Association and the investor, in our opinion. We have done a considerable amount of work along educational lines to further the passage of a Prudent Man Law in the State of Florida. Members of our Association have met during the past year with committees from both the Bankers' Association and the Bar Association and at each meeting a speaker gave a complete outline of the Prudent Man Law, together with our reasons for supporting it. The reaction of both Associations was very favorable and the Bankers' Association prepared actual legislation to be introduced in the 1949 session of our Legislature. Unfortunately, this legislation did not get through the respective Committees during the present Session, but it is our intent to pursue our educational efforts in a vigorous manner with the hope of achieving the passage of this law at the next regular session of Legislature.

We also introduced a General Revenue Act for municipal financing, which was ably prepared by Robie Mitchell of the firm of Mitchell & Pershing of New York City, and a bill to legalize the investment in revenue certificates by banks and trust accounts. Members of our Legislative and Municipal Committees put a great deal of work on these situations and both of these bills were approved by the various Committees but, unfortunately, did not reach the floor due to the sudden termination of the regular Session as the result of the unusual conditions which existed in our Legislature at that time. I firmly believe that these latter two measures will be readily approved at the next regular Session and that they will represent a definite improvement over the present statutes.

Our Business Conduct Committee made a thorough study of Dealer's and Agent's requirements in cooperation with the Florida Securities Commission and, while it was decided by the Members of the Board not to enact any legislation at the present time, nevertheless, this is a project which I believe may be revived by the Association at some later date.

I believe that these are the major efforts of our Association along the above lines and I trust

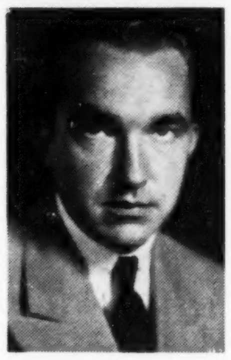
(Continued on page 17)

Report of Municipal Committee

Russell M. Ergood, Chairman, notes increase of municipal bond men in NSTA. Says only legislative question had to do with Housing Act of 1949 and predicts considerable activity by dealers in distributing new housing bonds

Russell M. Ergood of Stroud & Co., Philadelphia, and Chairman of the NSTA Municipal Committee, delivered the following report to the convention meeting this year at Colorado Springs:

As Chairman of the Municipal Committee, I am happy to report the year 1949 was devoid of serious legislative or other controversial matters that have so often in the past upset our membership. Nevertheless, your Municipal Committee has been far from inactive. Probably foreign to its original conception, it would seem that this Committee has in recent years developed to be the contact or liaison between the various Municipal Men in the organization and the NSTA. While I do not have accurate figures, I am quite certain that the number of Municipal Men who are now members of the NSTA has materially increased this year and the attendance of these men at this convention is evidence of a substantial interest on the part of our Municipal fraternity.



R. M. Ergood, Jr.

In connection with the above comments, I am strongly of the opinion that the NSTA has an unusual opportunity to make itself the only real national representative body of Municipal Men. By the very nature of their business they are scattered throughout the country, and I believe if they are adequately represented on the Executive Council and if the interest of the Municipal Men is always kept before this Association, not only will it prove of substantial value to the Municipal members but can materially add to the soundness and growth of our National Association.

In recent weeks two of our Midwestern representatives have brought to my attention a problem that seems to be confronting the entire Midwestern municipal market. It concerns the problem the banks are having with the bank examiners regarding their purchasing of municipal bonds. I will not go into this situation in detail because as far as our Committee is concerned it is in the embryo stage, but I would like to suggest to the incoming Committee that this problem be given serious consideration.

The only legislative question that arose this year had to do with the "Housing Act of 1949." Although this was of a quasi-municipal nature, our Executive Council felt it was more a legislative problem and was, therefore, referred to our Legislative Committee.

Our Municipal Committee is quite cognizant of the importance of the forthcoming financing due to the Housing Act of 1949. The huge volume of bonds that the Municipal fraternity will have to distribute will run in the billions. We therefore have obtained booklets entitled "A Handbook of Information on Provisions of the Housing Act of 1949" and copies are available for all of you present today. Should, however, any of your Municipal friends throughout the country want copies, I am sure we can take care of them. We are also very fortunate in having with us today William G. Laemmel, Vice-President of the Chemical Bank & Trust Co. of New York, who is one of the country's outstanding authorities on housing bonds and who will give us the housing bond story.

I want to take this opportunity to thank the officers and Executive Council, members of the NSTA, also the "Blue List," "The Dealers' Digest," and the "Commercial and Financial Chronicle" for the help they have given us on many occasions. It has been a privilege and a pleasure working with the members of my Committee and the representatives of the various affiliates of our Association; and to them I offer my sincere thanks.

Respectfully submitted,
MUNICIPAL COMMITTEE
Russell M. Ergood, Jr. (Chairman)
Herbert Pettey (Vice-Chairman)
John G. Heimerdinger
Decker Jackson
Houston Hill, Jr.

Report of Legislative Committee

Chairman J. L. Quigley, in commenting on lack of constructive legislation to relieve strains and stresses to which the national economy is being subjected, says securities industry has permitted itself to become a political football, and urges militant steps be taken to combat it. Attacks Frear Bill as attempt to raid "over-the-counter" market.

COLORADO SPRINGS, COLO.—Following is the text of the report of the NSTA Legislative Committee as submitted by Chairman J. L. Quigley, at the convention meeting on Oct. 6:

The year of '49 from a National Legislative standpoint has been one more of political strategy rather than of national reconstruction and retrenchment.

The terrific forces engendered by the various groups, each seeking advantage often at the expense of the others, does not create an atmosphere in which real constructive legislation can receive the careful attention the nation expects its elective representatives to give to its business.

Jay L. Quigley

Let it be said at this point that we have men on both the Democratic and Republican sides of the House and Senate that are now, and in some cases for years, devoting every available hour, day and night, if necessary, to the service for which they were elected or returned to office, i.e., the return of our country and its citizens to a normal and sound national condition.

Let it further be said that too often these are **not** the men who get the headlines they so richly deserve.

To us, who labor in the field of public and private finance, it is becoming more evident daily that the strains and stresses to which our economy is being subjected cannot endure for long, at the present existing pressure.

Certain activities, fundamental to our very existence dollarwise, may be ruined or curtailed to the point of gradual disappearance by unsound legislation.

It has been evident and increasingly so, for some period of years, that the industry in which we labor has permitted itself to become a political football. Various groups have kicked us about whenever the occasion suited or demanded, in order to keep the public attention off their selfish objectives or failures.

We, the real workingmen of the investment industry, have stood idly by and let ourselves and our fellow workmen in the various activities of our national life be "sold down the river."

We, who by our training should know, have failed, when the occasion demanded, to expose these selfish interests and to show our fellow workers in the nation how they were being led astray.

The time has long been past when militant steps should have been taken, but it is not too late, and the time is now.

Who, when industry requires public credit, goes into the highways and by ways and brings out the money to work where needed?

Who, when our States, Cities, Countries and School Districts need money for rehabilitation or extension brings it to the point required?

Who, and most important of all, when our country needs money to defend itself at war, is called in to provide ways and means to distribute government bonds in every nook and corner of our territory and never yet has ever received one cent for the job?

The answer is, we do. Are we, then, a fundamental and necessary industry in the economy of our country?

The facts stated plus the history of our activities are the wonder and the envy of every country on the face of the earth.

Your Committee has carefully considered current legislation to date. Steps looking to progress and simplification in the underwriting field we felt outside of our primary objectives and we leave the responsibility for its progress to the underwriting houses' representatives.

The one piece of legislation embodying what your Committee considers dangerous potentials, distinctly so to the future marketability of the capital and "over-the-counter market," is Senate Bill 2408 (called the Frear Bill).

Your Committee, led and aided by the President, Mr. Welsh and Past-President, Mr. Mosley, have expended a great deal of time and effort to ascertain why this legislation is being foisted upon us at a time when we are struggling to maintain the highest degree of liquidity so necessary in these times to the small investor and his holdings.

There is common talk in investment circles that this legislation is nothing more or less than an attempt on the part of the New York Curb Exchange to raid the "over-the-counter market" in order to secure additional trading.

Your Committee has no positive information that this is true. It does recognize that if this legislation, in its present form, is adopted, the "over-the-counter market" can suffer the loss of a large portion of its most active markets.

Your President, Mr. Welsh, Mr. Mosley, Past-President and myself, in the course of an informal discussion with the Securities and Exchange Commission, were informed in Washington that this bill is an "Administration measure."

Your Committee is convinced that positive action must be taken immediately to oppose this bill as it stands and requests the considered judgment of delegates in resolution form.

Respectfully submitted,
LEGISLATIVE COMMITTEE
J. L. Quigley (Chairman)
Perry Brown
Thos. Graham

NSTA Elective Committee Makes First Report

In submitting nominations for officers of the Association for ensuing year, R. V. Mosley, Chairman of Nominating Committee, outlines its activities and recommends the committee system of nomination be continued.—H. Frank Burkholder named President.

COLORADO SPRINGS, COLO.—R. V. Mosley, in submitting the nomination of NSTA officers by the Elective Committee, of which he is Chairman, took occasion to recommend that the current system of making nominations, which was established last year, be continued. In a letter to retiring President, Edward H. Welch, submitting nominations, Mr. Mosley stated:

"I respectfully submit the Report of the Nominating Committee, and, inasmuch as this was the first Elective Committee in the history of our organization, I would like to outline its activities as well as submit the recommendations.

R. Victor Mosley

"Each and every member of the Committee felt the responsibility placed upon them by their election at Dallas last year, and all of their actions indicated they were motivated by only the desire to select the best officers available for the positions. Your Chairman sent a memorandum, with enclosure, copy of both attached, under date of Aug. 10, to all members of the Executive Council, Presidents of all the Affiliated Groups, with additional copies for distribution to all National Committeemen, and to all National Past Officers of the Association. It was felt this coverage would bring the maximum of results, with minimum of expense.

"A substantial number of recommendations nad suggestions were received by the Chairman, and copies of these letters, telegrams and teletype messages were forwarded to all committee members prior to conference meetings. Due to the temporary absence of Mrs. Ferguson in Europe, we had Jack Hecht, Alternate, fully advised of our activities and he would have voted if Mrs. Ferguson, or any other member of the committee, was unavailable. Fortunately, Mrs. Ferguson returned from Europe in time for our first conference meeting on Monday, Aug. 29. The final conference meeting and balloting took place on Aug. 31, with all members, namely, John F. Egan, San Francisco; Stanley Roggenburg, New York City; Jay L. Quigley, Cleveland; James F. Jacques, Dallas; Robert Strauss, Chicago; Mrs. Ora Ferguson, Louisville, and R. V. Mosley, Chairman, Philadelphia, in attendance.

"The Committee declared the nominations of the following to be in order and submits their names herewith:

President: H. Frank Burkholder, Equitable Securities Corp., Nashville, Tenn.

First Vice-President: Donald C. Sloan, Sloan & Wilcox, Portland, Oregon.

Second Vice-President: John Latshaw, Uhlmann & Latshaw, Kansas City, Mo.

Secretary: Morton A. Cayne, Cayne & Co., Cleveland, Ohio.

Treasurer: Harry L. Arnold, Paine, Webber, Jackson & Curtis, New York City.

"The Committee would like to report that they believe an Elective Committee, as now covered by our By-Laws, is not only fair and democratic, but can be efficient and effective, and recommends its continuance.

"Respectfully,

"R. V. MOSLEY, Chairman Nominating Committee."

NSTA Resolution Opposing Frear Bill

Convention, before adjourning, directs its Legislative Committee to confer with SEC and other national groups and Congressional committees to urge giving maximum protection to "Over-the-Counter Market."

COLORADO SPRINGS, COLO.—The Convention of the National Security Traders Association, Inc., meeting at Colorado Springs, Colo., on Oct. 8, passed the following resolution opposing passage of Senate Bill No. 2408, known as the Frear Bill:

On this day, the sixth of October, 1949,

Be it again Resolved,

That the National Security Traders Association, Inc., in Convention assembled at Colorado Springs, Colorado, is and from its inception has always been, in hearty accord with any and all legislation that will afford the maximum protection to the investors of our Country. Obviously what is good for the investing public is in our best interest.

Be it further Resolved,

That Senate Bill No. 2408 (known as the Frear Bill) in its present form, would lead the investor to believe that it is entirely in his interest, whereas in our considered judgment it contains provisions that will deal a crippling blow to the "Over-the-Counter Market" thereby definitely injuring the source that produces the major portion of the new capital requirements of our Country.

Therefore, Be it Resolved,

That the National Security Traders Association, Inc., takes the position that it is definitely opposed to the Bill in its present form and its Legislative Committee be, and is hereby instructed, to confer with the Securities and Exchange Commission and its staff, other National groups interested and the Committees of the Congress to the end that final legislation afford the maximum protection to the American investor, and also the "Over-the-Counter Market," in its activities as the producing center and market, of new capital for the needs of the Nation.

In Attendance at NSTA Convention

(Continued from page 12)

COMBEST, EARL L.
Prugh, Combest & Land, Inc., Kansas City
CORNELL, Jr., JOHN B.
Dallas Rupe & Son, Dallas
COUTTS, ROLAND M.
A. C. Allyn and Company, Incorporated, Chicago
**CROCKETT, A. GORDON*
Shields & Company, Houston
CROSBY, JOSEPH F.
Bear, Stearns & Co., New York

*Denotes Mr. and Mrs.

CUMMINGS, PATRICK J.
Bear, Stearns & Co., Chicago
**DEPPE, R. C.*
Edward D. Jones & Co., St. Louis
DE YOUNG, NEIL
De Young-Tornga Co., Grand Rapids, Mich.
**DOYLE, LEO J.*
Doyle, O'Connor & Co., Inc., Chicago
**DRINKARD, OSCAR B.*
Scott, Horner & Mason, Inc., Lynchburg
**EARNEST, GEORGE H.*
Fewel & Co., Los Angeles
**EBNER, Jr., CHARLES L.*
Bateman, Eichler & Co., Los Angeles
EGAN, JOHN F.
First California Company, San Francisco
**ELDER, GEORGE J.*
George A. McDowell & Co., Detroit
**ERGOOD, Jr., RUSSELL M.*
Stroud & Company, Incorporated, Philadelphia
FERGUSON, Mrs. ORA M.
Merrill Lynch, Pierce, Fenner & Beane, Louisville
**FINNEGAN, JOHN F.*
Hannaford & Talbot, San Francisco
**FITZ-GERALD, JAMES F.*
W. L. Canady & Co., Inc., New York
FORBES, RUSSELL H.
Forbes & Company, Denver
**FREEAR, LANDON A.*
William N. Edwards & Co., Fort Worth
**GANNON, JOSEPH*
May & Gannon, Inc., Boston
GAWNE, HARRY J.
Merrill, Turben & Co., Cleveland
GIBBS, LOUIS A.
Laird, Bissell & Meeds, New York
**GRACE, IRVING P.*
W. C. Pitfield & Co., Inc., New York
**GRAHAM, THOMAS*
The Bankers Bond Co., Inc., Louisville
GREEN, SAM
Pledger & Company, Inc., Los Angeles
GREGORY, Jr., WM. H.
Bonner & Gregory, New York
HAGENSIEKER, EARL
Reinholdt & Gardner, St. Louis
HAHN, CHARLES W.
Scherck, Richter Company, St. Louis
HALL, Jr., CLAIR S.
Clair S. Hall & Company, Cincinnati
**HAMMELL, ELMER W.*
Caswell & Co., Chicago
**HANNAH, WOOD*
The Bankers Bond Co., Inc., Louisville
**HANNI, ARTHUR R.*
Seltsam & Co., Topeka
HARDING, EDGAR
Pennsylvania Railroad, New York
**HARMET, ALFRED A.*
A. A. Harmet & Co., Chicago
**HARRINGTON, FRANK T.*
H. D. Knox & Co., Inc., Boston
HASTINGS, H. RUSSELL
Crouse & Company, Detroit
**HATTIER, Jr., GILBERT*
White, Hattier & Sanford, New Orleans
**HATZ, ARTHUR*
Arnhold & S. Bleichroeder, Inc., New York
HECHT, JOHN C.
Dempsey-Tegeler & Co., Los Angeles
**HEIMERDINGER, JOHN G.*
Walter, Woody & Heimerdinger, Cincinnati
HENDERSON, THEODORE C.
T. C. Henderson & Co., Des Moines
**HIGGINS, LARRY A.*
Hulburd, Warren & Chandler, Chicago
**HOMSEY, ANTON E.*
duPont, Homsey & Company, Boston
**HORN, CLARENCE A.*
First of Michigan Corporation, Detroit
HORSFIELD, T. GEOFFREY
Yale Club, New York
**HUDSON, JOHN M.*
Thayer, Baker & Co., Philadelphia
**HUNTER, WILLIAM S.*
Lee Higginson Corporation, Chicago
HYETT, GLEN W.
Milwaukee Railroad, Chicago
**IRISH, HERBERT C.*
Fairman & Co., Los Angeles
ISAACS, MILTON J.
Straus & Blosser, Chicago

(Continued on page 68)

Report of Public Relations Committee

(Continued from page 14)

this information may be of value to you in your Annual Report.

With kindest regards, I am

Sincerely yours,

T. NELSON O'ROURKE,
President Florida Security Dealers Assn.

Exhibit "B"

235 South Fifth Street
Louisville 2, Ky.
Sept. 21, 1949

Mr. John M. Hudson,
Vice-Chairman,
Thayer, Baker & Co.,
Commercial Trust Bldg.,
Philadelphia 2, Pa.

My dear Sir:

Executives of local and national corporations, which have plants in Louisville, have contributed greatly to programs of the Bond Club of Louisville's monthly banquets. The speakers, representing corporations whose stocks are traded in on the local market, or listed on national exchanges, have discussed their companies' products, growth of business, and other data which they believed to be of interest to local dealers and to their companies' local stockholders. Representatives of the local newspapers have given these talks wide publicity.

The Club feels greatly indebted to the following speakers who have contributed so much to make the programs so popular:

Mr. Keen Johnson, Vice-President Reynolds Metals Company—manufacturers of all types of aluminum products.

Mr. William Embry, Vice-President General Box Company—manufacturers of all types of shipping containers.

Mr. Phillip Noland, President B. F. Avery & Sons—manufacturers of farm implements.

Mr. Whit Wales, President Consider H. Willett Company—manufacturers of furniture.

Mr. Archie Cochran, President Cochran Foil Corporation—manufacturers of aluminum foil.

Mr. Rogers Morton, President Ballard & Ballard Company—manufacturers of flour.

Very truly yours,

URBAN J. ALEXANDER,
President Bond Club of Louisville.

Exhibit "C"

11 Marietta Street,
P. O. Box 1295,
Atlanta 1, Ga.,
Sept. 22, 1949.

Mr. John M. Hudson,
Thayer, Baker & Co.,
Commercial Trust Bldg.,
Philadelphia 2, Pa.

Dear Mr. Hudson:

I received your letter of Sept. 20 in regard to the activities of the Georgia Security Dealers Association pertaining to publicity in the year just passed.

Our local Publicity Committee has been quite active in a general way in obtaining items of interest about its member firms as well as its individual members and has succeeded in having these items published in the appropriate local newspaper or national publication. We have worked on the basis that the more a securities firm or an individual in our business was mentioned in the newspaper or a national periodical, the greater would be our public acceptance. We, therefore, used not only news items pertaining strictly to the securities business but personal items such as a member of the securities business being elected an officer of a private club or the Rotarians, etc.

I, as President of the Georgia Security Dealers Association last year, wrote a personal letter from this Association to the president of each corporation in Georgia whose stock was in the hands of the public. This personal letter was also sent to the presidents of corporations located outside of Georgia but who had large branches or plants in Georgia and whose securities were actively traded in Georgia or listed on the New York Stock Exchange.

In this letter I explained that the purpose of our Association was not only to promote the welfare of investors and the security dealers in Georgia but also to promote the welfare of the corporations doing business in Georgia for we thoroughly recognize the security dealers and the investors in Georgia would prosper only so long as business in Georgia was prospering. The Association offered its services to these corporations and told them we would be glad to work with them as a group in any way possible to protect their interests and go to bat for them on any justifiable cause.

The replies to this letter were amazing.

In addition to the above, the Public Relations Committee has tried to work with the newspapers in such a way that the wording of any article will not be adverse to our industry or if an adverse article does appear, we have tried to diplomatically refute same.

I hope this gives you the information you need and you are, of course, at liberty to use all or any part of it you wish in your report.

Yours very truly,

JACK F. GLENN

Exhibit "D"

Cincinnati 2, Ohio
Sept. 26, 1949

Mr. John M. Hudson,
Thayer, Baker & Co.,
Investment Bankers,
Commercial Trust Bldg.,
Philadelphia 2, Pa.

Dear Mr. Hudson:

One activity carried on by the Cincinnati Stock and Bond Club, which when it was originated was not intended as a public relations matter, turned out to be a very potential factor in public relations. It was the industrial inspections which our membership has been making for several years. It has been so successful in Cincinnati we feel that it is too good to keep to ourselves and while there has been some mention made of it I think that wider publicity will be beneficial to other clubs which might want to take it up.

We usually pick a corporation whose stock has some activity in the local market. The club generally furnishes transportation and our members try to arrive at a plant at a time which will allow us to make a trip that is not too hurried. After the physical inspection the club adjourns to some suitable place such as a hotel. There is a brief cocktail hour and a buffet supper is served. The principal officers and some directors are invited to be our guests at this affair. They are then called upon to give a talk on their business, the problems confronting them, and business prospects. Members of the press are also invited. Sometimes they bring their photographers with them. The business meeting usually lasts no longer than an hour and the affair is over at a reasonable time so that the members can go home if they desire.

Besides acquainting our membership with the facts that go to make up the values behind these stock certificates, we have brought to the attention of industrialists that there is an investment fraternity here which is active and interested in trading their corporate issues and providing capital for American business. The publicity that gets in the paper also helps to acquaint the public with the fact that this industry is an important cog in the general scheme of things. We believe that there has been much good developed in the relationship between ourselves and these industrialists. They open the door for further information about themselves by inviting us to contact them if we want to know anything. There has been some underwriting that has resulted from these contacts.

We feel that these industrial inspections have made a terrific contribution to the increase in interest of our membership. We have been doing this in Cincinnati for three years. We now have a standing committee known as the Special Events Committee who are constantly exploring possibilities for additional inspections. We attempt to have about six a year.

We would be happy to have any affiliates of the NSTA contact us if they want additional information.

Very truly yours,

J. E. BENNETT,
J. E. Bennett & Company, Inc.

Exhibit "E"

St. Louis, Mo.,
Sept. 27, 1949.

Mr. John M. Hudson,
Thayer, Baker & Co.,
Commercial Trust Bldg.,
Philadelphia 2, Pa.

Dear John:

I am in receipt of a letter Clarence Maender received from you requesting any data that I might have in regard to the Public Relations work of the Security Traders Club of St. Louis.

This year we embarked on a program known as "Know Your St. Louis Industries." This program was designed to make personal inspection tours of leading industries in and around the St. Louis area that have securities outstanding in the hands of the general public. These trips have met with tremendous success this year and our present plans are to expand and broaden this program for the coming year.

We also initiated a second program known as the "Educational

(Continued on page 70)

NSTA Affiliates and Members

Security Traders Association of Los Angeles


William A. Miller


Jack H. Alexander


Ted D. Carlsen

President: William A. Miller, *Fairman & Co.*
Vice-President: Jack H. Alexander, *Walston, Hoffman & Goodwin.*
Secretary: A. William McCready, *Geyer & Co., Inc.*
Treasurer: Ted D. Carlsen, *Crowell, Weedon & Co.*
Board of Governors: Sam Green, *Pledger & Co., Inc.;* Forest W. Shipley, *Quincy Cass Associates;* William C. Pike, *Morgan & Co.*
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Alternate: James D. Cockburn, *Crowell, Weedon & Co.*
Elected: November 29, 1948; Took Office: January 1, 1949; Term Expires: December 31, 1949.

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ASCHKAR, PAUL H.
Fewel & Co.
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Hill Richards & Co.
BATES, ROBERT F.
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BERRY, HAROLD W.
G. Brashears & Company
BOURBEAU, EDWARD J.
Daniel Reeves & Co.
BRAZEAU, DELARD M.
Daniel Reeves & Co., Beverly Hills, Calif.
BROWN, MAXFIELD E.
Shearson, Hammill & Co.
BROWN, WILLIAM E.
E. F. Hutton & Co.
BURRILL, GERALD
Blyth & Co., Inc.
CARLSON, THEODORE D.
Crowell, Weedon & Co.
CASS, ROBERT T.
Floyd A. Allen & Co.
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EARNEST, GEORGE H.
Fewel & Co.
EBNER, Jr., CHARLES L.
Bateman, Eichler & Co.
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Samuel B. Franklin & Company
FRASER, JAMES G.
Stern, Frank & Meyer
GALLEGOS, JOSEPH F.
Pacific Company of California
GARRETT, PIERCE R.
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William R. Staats Co.
GOLDSCHMIDT, PAUL
Pacific Company of California
GREEN, ROBERT M.
Pledger & Co., Inc.
GREEN, SAM
Pledger & Company, Inc.
HALL, MAX
Dean Witter & Co.
HANSON, WARREN B.
First California Company
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Dean Witter & Co.
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Holton, Hull & Co.
HUDSON, NORMAN
R. L. Colburn & Co.
HUDSON, ROBERT W.
Gross, Rogers & Co.
IRISH, HERBERT C.
Fairman & Co.
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Sutro & Co.
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William R. Staats Co.
KIRWIN, NICHOLAS P.
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J. Barth & Co.
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Akin-Lambert Co., Inc.
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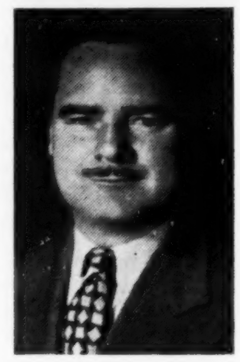
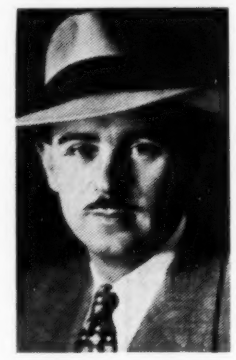
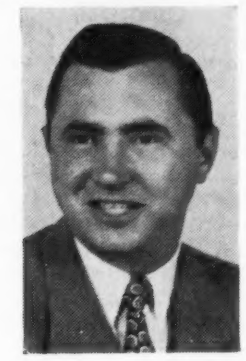
Hill Richards & Co.
WRIGHT, WILLIAM L.
Lester & Co.
ZIMMERMAN, WILLIAM J.
Bingham, Walter & Hurry

San Francisco Security Traders Association


J. B. McMahon


Emmett K. Whitaker


Alander F. Hogland

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Elected: December, 1948; Took Office: January, 1949; Term Expires: January, 1950.

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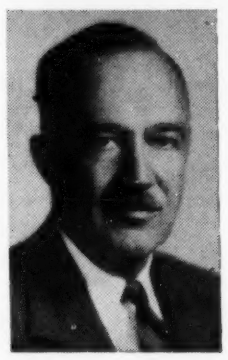
Bond Club of Denver


Robert L. Mitton


R. L. Robinson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Elected: December, 1948; Took Office: January 1, 1949; Term Expires: December 31, 1949.

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Coughlin and Company
COUGHLIN, WALTER J.
Coughlin and Company
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CRILEY, LAWRENCE
Bosworth, Sullivan & Co.
CRIST, B. P.
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CURRIE, TREVOR
DAVIS, GEORGE
Harris, Upham & Co.
DAVIS, NORMAN
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Calvin Bullock
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Otis & Co.
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GRAY, GRAY B.
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J. A. Hogle & Co.
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Macart-Jones & Co., Pueblo, Col.
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MARBLE, PRESTON M.
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MATLOCK, WOODFORD
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McCabe, Hanifen and Company
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McCONNELL, FRANK T.
Harris, Upham & Co.
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Greeley, Col.
MIDDAUGH, HARRY W.
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Mountain States Bank
MITTON, ROBERT L.
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Garrett-Bromfield & Co.
MYERS, J. HAROLD
Harris, Upham & Co.
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Boettcher and Company
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Merrill Lynch, Pierce, Fenner & Beane
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Newman & Co., Colorado Springs, Col.
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O'HARA, JR., RODERICK
E. M. Scanlan & Co.
ORMSBY, JACK
Peters, Writer & Christensen, Inc.
PARKER, EVERETT
PATTERSON, DONALD L.
Boettcher and Company
PERKINS, CARSON
Denver National Bank
PETERS, GERALD P.
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PETTIBONE, Jr., C. ARTHUR
Earl M. Scanlan & Co.
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The International Trust Co.
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Quinn & Co., Albuquerque, N. Mex.
RAICHLE, JOSEPH L.
Boettcher and Company
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Refsnes, Ely, Beck & Co.
Phoenix, Arizona
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Brereton, Rice & Co., Inc.
ROBERTS, MALCOLM F.
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ROBINSON, RAYMOND L.
Sidlo, Simons, Roberts & Co.
RUBLE, FRED
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SCANLAN, EARL M.
Earl M. Scanlan & Co.
SCHLENZIG, E. G.
Merrill Lynch, Pierce, Fenner & Beane
SCOTT, RICHARD M.
Investment Service Corp.
SHAW, GEORGE H.
Colorado Grain Exchange
SIGLER, THOMAS
J. A. Hogle & Co.
SIMONS, BURDICK
Sidlo, Simons, Roberts & Co.
SIMPSON, BRYAN E.
B. E. Simpson & Company
SIPLE, H. W.
Harris, Upham & Co.
SMITH, CHARLES F.
Investment Service Corporation
SMITH, RALPH
Earl M. Scanlan & Co.
SNOWDEN, W. L.
Peters, Writer & Christensen, Inc.
SODEN, B. J.
The J. K. Mullen Investment Co.
SPARHAWK, R. DALE
Harris, Upham & Co.
STITT, CARL E.
J. A. Hogle & Co.
STONE, ERNEST E.
Stone, Moore & Company
SUDLER, AMOS C.
Amos C. Sudler & Co.
SULLIVAN, JOHN J.
Bosworth, Sullivan & Co.
SWAN, HENRY
The United States National Bank of Denver
SWEET, WILLIAM
Peters, Writer & Christensen, Inc.
TETTEMER, FRANK L.
The J. K. Mullen Investment Co.
THORP, J. L.
King Merritt & Co.
TROUTMAN, WILLIAM E.
Central Bank & Trust Co.
TRUGLIO, NICHOLAS L.
Stone, Moore & Co.
TSCHUDI, FRANK N.
Bosworth, Sullivan & Co.
TUCKER, WILFRED
Earl M. Scanlan & Co.
ULRICH, FRED C.
Peters, Writer & Christensen, Inc
VANDERVORT, RUSSELL G.
Denver National Bank
VAN DITTE, LEO D.
Central Bank & Trust Company
VASCONCELLS, JERRY C.
Sidlo, Simons, Roberts & Co.
VERNER, OGDEN C.
Merrill Lynch, Pierce, Fenner & Beane

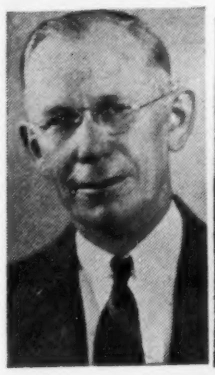
(Continued on page 20)

Bond Club of Denver

(Continued from page 19)

VINEY, F. H.
Harris, Upham & Co.
WALSH, JOSEPH M.
Harris, Upham & Co.
WALTER, FREDERICK D.
Walter & Company
WEBB, CHARLES W.
U. S. National Bank
WEBB, JOHN TRUMAN
Otis & Co.
WELLER, HIRAM D.
Peters, Writer & Christensen, Inc.
WILLARD, E. WARREN
Boettcher and Company
WILLIAMS, ARTHUR
Central Bank & Trust Company
WOOD, GERALD C.
Bosworth, Sullivan & Co.
WRITER, GEORGE S.
Peters, Writer & Christensen, Inc.
WRITER, HAROLD D.
Peters, Writer & Christensen, Inc.
YOUNG, RALPH S.
Colorado Springs, Colo.
YOUNG, WILLIAM A.
Merrill Lynch, Pierce, Fenner & Beane

Bond Club of Louisville




Urban J. Alexander Henry Christman, Jr. R. H. Johnston, Jr. Wm. T. Watkins, Jr.

President: Urban J. Alexander, *W. L. Lyons & Co.*
Vice-President: Henry Christman, Jr., *O'Neal-Alden & Co.*
Secretary: Robert H. Johnston, Jr., *Bankers Bond Co.*
Treasurer: William T. Watkins, Jr., *Merrill Lynch, Pierce, Fenner & Beane.*
National Committeeman: Thomas Graham, *Bankers Bond Co.*
Associate: Mrs. Ora M. Ferguson, *Merrill Lynch, Pierce, Fenner & Beane.*
Elected: July, 1948; Took Office: January 1, 1949; Term Expires: January 1, 1950.

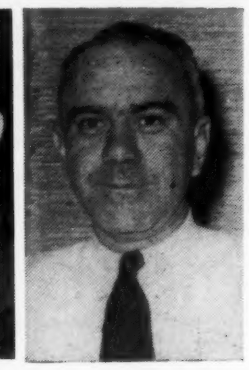
ROSTER OF MEMBERS

(Members in Louisville unless otherwise indicated)

ALDEN, WM. O.
O'Neal-Alden & Co., Inc.
ALDEN, Jr., WM. O.
O'Neal-Alden & Co., Inc.
ALEXANDER, URBAN J.
W. L. Lyons & Co.
ALLEN, HORACE
Merrill Lynch, Pierce, Fenner & Beane
BITTENBACK, D. N.
Smart & Wagner
BOHNERT, HECTOR W.
The Bankers Bond Co., Inc.
BRIGHT, E. W.
W. L. Lyons & Co.
BROCAR, Jr., ALBERT C.
J. J. B. Hilliard & Son
BUCKNER, HUBBARD
Louisville Trust Company
BURGE, JOHN M.
J. J. B. Hilliard & Son
BURKHOLDER, Jr., JAMES R.
Almstedt Brothers
BURKHOLDER, III, JAMES R.
Russell, Long & Burkholder
Lexington, Ky.
CARDWELL, MARION H.
J. J. B. Hilliard & Son
CHRISTMAN, Jr., HENRY
O'Neal-Alden & Co., Inc.
CONLIFFE, WILLIAM J.
Merrill Lynch, Pierce, Fenner & Beane
CONWAY, POWHATAN M.
The Bankers Bond Co., Inc.
DEARING, ANDERSON
The Kentucky Trust Company
DERING, WILLIAM R.
J. J. B. Hilliard & Son
DESMOND, C. G.
Stein Bros. & Boyce
DIERSEN, J. H.
Eskew, Gresham & Diersen
DULANEY, WOODFORD H.
Citizens Fidelity Bank & Trust Co.
DURHAM, Jr., J. H.
Blyth & Co., Inc.
EBINGER, RUSSELL
Smart & Wagner
FEHRIBACH, URBAN H.
Lincoln Bank & Trust Company
FERGUSON, MRS. ORA M.
Merrill Lynch, Pierce, Fenner & Beane
FETTER, JAMES M.
The Bankers Bond Co., Inc.
FULLER, ASA W.
Liberty National Bank & Trust Co.
GIES, ANDREW P.
J. J. B. Hilliard & Son
GRAFTON, ARTHUR W.
Wyatt, Grafton & Grafton
GRAHAM, THOMAS
The Bankers Bond Co., Inc.
GRATZER, BERNARD W.
Louisville Times
HAAS, WILLIAM G.
Stein Bros. & Boyce
HAGIN, HART
W. E. Hutton & Co., Lexington, Ky.
HAMPTON, GARRETT
Merrill Lynch, Pierce, Fenner & Beane
HANNAH, WOOD
The Bankers Bond Co., Inc.
HARDAWAY, EARL E.
Berwyn T. Moore & Co., Inc.
HELCK, CHESTER L.
Liberty National Bank & Trust Co.
HOPKIN, W. HOWARD
Reconstruction Finance Corp.
JOHNSTON, Jr., ROBERT H.
The Bankers Bond Co., Inc.
JONES, CLARENCE
Almstedt Brothers
KAUFMAN, IRVIN
Stein Bros. & Boyce
KING, CHARLES C.
The Bankers Bond Co., Inc.
LINCH, DALE F.
Berwyn T. Moore & Co., Inc.
LONG, EDWIN A.
Russell, Long & Burkholder, Lexington, Ky.
LOUDEN, HOWARD
The Bankers Bond Co., Inc.
LUCAS, CHESTER A.
Stein Bros. & Boyce
MAJOR, EARLE E.
Stein Bros. & Boyce
McDOWELL, ROBT. B.
Blyth & Co., Inc.
McNAIR, WILLARD P.
The Bankers Bond Co., Inc.
McPHERSON, NORRIS
Stites & Stites
MILLER, J. HUGH
J. J. B. Hilliard & Son
MOORE, BERWYN T.
Berwyn T. Moore & Co., Inc.
PARKS, JOSEPH W.
Berwyn T. Moore & Co., Inc.
PAYNE, DEXTER
Berwyn T. Moore & Co., Inc.
POWELL, EDWIN W.
Berwyn T. Moore & Co., Inc.
REIMER, J. BERGES
Berwyn T. Moore & Co., Inc.
RUTLEDGE, WESLEY
Stein Bros. & Boyce
SCHULMAN, SOL
Louisville Courier Journal
SEDLEY, MRS. ELINORE
The Bankers Bond Co., Inc.
SOMMERS, ANTHONY
Lincoln Bank & Trust Company
SPIERS, JOHN H.
Smart & Wagner
TRINKLE, WALTER
Wilson-Trinkle Co., Inc.
VAN HOOSER, JAMES D.
J. D. Van Hooser Co., Lexington, Ky.
VON ROENN, WARREN G.
Cotton & Eskew
WAGNER, WILLIAM
Smart & Wagner
WAKEFIELD, DUNLAP
Smart & Wagner
WATKINS, WILLIAM T.
Merrill Lynch, Pierce, Fenner & Beane
WATTS, H. ALLEN
W. L. Lyons & Co.
WILSON, HOLMAN R.
Wilson-Trinkle & Co., Inc.

Security Traders Association of Connecticut



Leslie B. Swan Donald B. Jacobs Don E. Hungerford G. H. N. Libby

President: Leslie B. Swan, *Chas. W. Scranton & Co.*, New Haven.
First Vice-President: Donald B. Jacobs, *Conning & Co.*, Hartford.
Second Vice-President: Donald E. Hungerford, *Robert C. Buell and Company*, Hartford.
Secretary-Treasurer: Gordon H. N. Libby, *Coburn & Middlebrook, Incorporated*, Hartford.
Governors: George A. Dockham, *Hincks Bros. & Co., Inc.*, New Haven; E. Holbrook Bradley, *Edward M. Bradley & Co.*, New Haven; John E. Graham, *Brainard-Judd & Co., Hartford;* Robert A. Bligh, *Fahnestock & Co.*, Torrington.
National Committeeman: Leslie B. Swan, *Chas. W. Scranton & Co.*
Alternate: Donald B. Jacobs, *Conning & Co.*, Hartford.
Elected: October 21, 1949; Took Office: October 21, 1949; Term Expires: October 21, 1950.

ROSTER OF MEMBERS

(Members located in Hartford unless otherwise indicated)

AUSTIN, GEO. L.
G. L. Austin & Co.
BEAL, BRUCE H.
Kennedy-Peterson, Inc.
BLIGH, ROBERT A.
Fahnestock & Co., Torrington
BOWMAN, ALFRED H.
Fahnestock & Co.
BRADLEY, E. HOLBROOK
Edward M. Bradley & Co., Inc.
New Haven
CALVERT, ROBERT B.
Tifft Brothers
CILENTO, FRANK E.
Tifft Brothers
CLAPP, CLARENCE B.
Whaples, Viering & Co.
CLARK, MYRON H.
Estabrook & Co.
CLEMENCE, ROBERT H.
Gaynor Clemence & Company, Inc.
New Haven
COHAN, HARRY D.
Denton & Co., Inc.
CONNER, EARL W.
Maples & Goldschmidt, South Norwalk
COOK, AARON
Putnam & Co.
COX, FREDERIC R.
New Haven
DOCKHAM, GEORGE A.
Hincks Bros. & Co., Inc., New Haven
DYER, HAROLD I.
Eddy Brothers & Co.
ENGLISH, JAMES P.
Cooley & Company
FAUST, HAROLD E.
Equitable Securities Corporation
FON EISEN, NICHOLAS E.
Fahnestock & Co.
FRAZIER, EARLE W.
Earle W. Frazier, New Britain
GAYNOR, NORMAN J.
Gaynor, Clemence & Company, Inc.
Bridgeport
GOULD, CHARLES W.
G. H. Walker & Co.
GRAHAM, JOHN E.
Brainard-Judd & Co.
GRAHAM, REGINALD E.
North Haven
HEGEMAN, ARTHUR W.
Hegeman & Co., Stamford
HOLMAN, WILLIAM D.
Putnam & Co.
HUNGERFORD, DONALD E.
Robert C. Buell and Company
HURLBERT, GORDON C.
E. T. Andrews & Co.
JACOBS, DONALD B.
Conning & Co.
JOHNSON, A. MAURITS
Marx & Co., Bridgeport
LIBBY, GORDON H. N.
Coburn & Middlebrook, Incorporated
MAIGRET, NORMAN
Coburn & Middlebrook, Incorporated
McKEON, STEPHEN G.
Chas. W. Scranton & Co., New Haven
MORGAN, DANIEL J.
T. L. Watson & Co., Bridgeport
MORRIS, ROBERT S.
Robt. S. Morris & Co.
MURRAY, FRANK J.
Day, Stoddard & Williams, Inc.,
New Haven
REDLUND, CHARLES W.
Cooley & Company
RITTER, LEONARD O.
Paine, Webber, Jackson & Curtis
ROBINSON, HENRY C.
Tifft Brothers
RYBECK, WILLIAM H.
William H. Rybeck & Company, Meriden
SAMUELSON, ARTHUR O.
George C. Lane & Co. Inc., New Haven
SCRIBNER, WYLLIS
J. Arthur Warner & Co.
SHAW, JOHN H.
McClure and Shaw
SKILTON, PEARL J.
The R. F. Griggs Company, Waterbury
STARKEL, ADOLPH G.
Putnam & Co.
STEINER, S. JACKSON
Jackson Steiner & Co., Inc.

Aaron Pleasants, *International Trust Company*, Denver; Mrs. and Mr. Robert L. Mitton, *Robert L. Mitton Investments*, Denver, Colo.; Earl M. Scanlan, *Earl M. Scanlan & Co.*, Denver, Colo.

Harry A. McDonald, Commissioner, *Securities & Exchange Commission*, Washington, D. C.

John L. Geraghaty, Regional Administrator, *Securities & Exchange Commission*, Denver; Edward H. Welch, *Sincere & Co.*, Chicago; John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.*, New York City

SWAN, LESLIE B.
Chas. W. Scranton & Co., New Haven

SWEENEY, WILLIAM J.
Sweeney & Company, New Britain

TACKUS, ANDREW L.
Putnam & Co.

WEISKE, F. RICHARD
A. M. Kidder & Co., Bridgeport

WILDE, PHILIP A.
Stone & Webster Securities Corporation

WILDE, RICHARD W.
Conning & Co.

Alabama Security Dealers Association

Alonzo H. Lee

J. M. Thornton, Jr.

James S. Crow, Jr.

Drayton Nabers

President: Alonzo H. Lee, *Sterne, Agee & Leach*, Birmingham.
First Vice-President: J. Mills Thornton, Jr., *Thornton, Mohr & Co.*, Montgomery.
Second Vice-President: James S. Crow, Jr., *First National Bank of Mobile, Ala.*
Secretary: George H. Stubbs, Jr., *Stubbs, Smith & Lombardo*, Birmingham.
Treasurer: Drayton Nabers, *First National Bank of Birmingham.*
National Committeemen: Harold B. Mayes, *Hendrix & Mayes, Inc.*; Alonzo H. Lee, *Sterne, Agee & Leach*, Birmingham.
Alternates: George H. Stubbs, Jr., *Stubbs, Smith & Lombardo*, Birmingham; Drayton Nabers, *First National Bank of Birmingham.*
Elected: June, 1949; Took Office: July 1, 1949; Term Expires: June 30, 1950.

ROSTER OF MEMBERS

ADAMS, RALPH
Berney Perry & Company, Inc., Birmingham

AGEE, RUCKER
Sterne, Agee & Leach, Birmingham

ALLISON, CHARLES J.
Equitable Securities Corporation, Birmingham

ANDREWS, J. WARREN
First National Bank, Montgomery

ANDREWS, LAMAR
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

ARMSTRONG, ERNEST
Sterne, Agee & Leach, Montgomery

BACON, ROBERT S.
First National Bank of Mobile, Mobile

BARTLETT, WILLIAM V.
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

BAXLEY, MARION
Merrill Lynch, Pierce, Fenner & Beane, Montgomery

BLACKSTONE, F. C.
Merrill Lynch, Pierce, Fenner & Beane, Mobile

BLAIR, DWIGHT
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

BOSWELL, GRADY
Merrill Lynch, Pierce, Fenner & Beane, Montgomery

BRODNAX, MARION J.
Brodnax & Knight, Inc., Birmingham

BROWN, C. BLYTHE
Cumberland Securities Corporation, Birmingham

BRUNSON, RAMON J.
Merrill Lynch, Pierce, Fenner & Beane, Mobile

BUSH, A. PEYTON
Bush Securities Company, Mobile

CARLISLE, C. JUDSON
Sterne, Agee & Leach, Birmingham

CARLSON, ROBERT H.
Carlson & Co., Birmingham

CARLSON, Jr., Robert H.
Carlson & Co., Birmingham

COHEN, MORTIMER A.
Sterne, Agee & Leach, Montgomery

CONVILLE, KNOX A.
Conville & Company, Birmingham

COX, JOHN
Courts & Company, Birmingham

CROW, Jr., JAMES S.
First National Bank, Mobile

DARBY, NOLAN
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

EDDINS, JOHN
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

FERRIS, DAKIN B.
Merrill Lynch, Pierce, Fenner & Beane, Mobile

FORE, ROBERT B.
First National Bank of Birmingham, Birmingham

FRAZER, FRANK B.
Shropshire & Company, Mobile

GAINES, WALTER B.
Gaines & Company, Birmingham

GAUNT, WILLIAM
First National Bank, Montgomery

HALEY, FRED
Merchants National Bank, Mobile

HAMEL, BEN. F.
Merrill Lynch, Pierce, Fenner & Beane, Mobile

HAMRICK, LEON
Steiner, Rouse & Company, Birmingham

HAWORTH, HOWARD H.
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

HAYES, WILLIE
Merrill Lynch, Pierce, Fenner & Beane, Montgomery

HENDRIX, JAMES R.
Hendrix & Mayes, Inc., Birmingham

HERZBERG, BERNARD F.
Odess, Martin & Herzberg, Inc., Birmingham

HUGHES, PATRICK E.
Steiner, Rouse & Company, Mobile.

HYDINGER, EB S.
Carlson & Co., Birmingham

INMAN, W. E.
Courts & Company, Birmingham

JEMISON, Jr., JOHN S.
Marx & Company, Birmingham

JOYANT, A. W.
American National Bank & Trust Company, Mobile

KING, PORTER
Steiner, Rouse & Company, Mobile

KING, Jr., PORTER
Merrill Lynch, Pierce, Fenner & Beane, Mobile

KNIGHT, Jr., ROY W.
Brodnax & Knight, Inc., Birmingham

KNOWLES, BEN
Merrill Lynch, Pierce, Fenner & Beane, Montgomery

LANG, Jr., DUDLEY W.
Steiner, Rouse & Company, Mobile

LEACH, EDMUND C.
Sterne, Agee & Leach, Montgomery

LEE, ALONZO H.
Sterne, Agee & Leach, Birmingham

LESLIE, OWEN C.
Odess, Martin & Herzberg, Inc., Tuscaloosa

LOMBARDO, JOSEPH P.
Stubbs, Smith & Lombardo, Inc., Birmingham

LYONS, ARTHUR
Sterne, Agee & Leach, Birmingham

MARTIN, ELBERT H.
Odess, Martin & Herzberg, Inc., Birmingham

MARX, V. HUGO
Hugo Marx & Company, Birmingham

MARX, Jr., V. HUGO
Hugo Marx & Company, Birmingham

MARX, WILLIAM
Hugo Marx & Company, Birmingham

MASTERS, ERNEST
Merrill Lynch, Pierce, Fenner & Beane, Birmingham

MAYES, HAROLD B.
Hendrix & Mayes, Inc., Birmingham

McKNIGHT, H. NEIL
Merrill Lynch, Pierce, Fenner & Beane, Mobile

McQUEEN, Jr., GILES
Courts & Company, Birmingham

McREE, S. A.
Carlson & Co., Birmingham

MOHR, SIDNEY J.
Thornton, Mohr & Company, Montgomery

MORROW, Jr., Hugh
Watkins, Morrow & Company, Birmingham

NABERS, DRAYTON
First National Bank, Birmingham

ODESS, LEWIS J.
Odess, Martin & Herzberg, Inc., Birmingham

PERRY, TUNSTALL B.
Berney Perry & Company, Inc., Birmingham

PERRY, W. BERNEY
Berney Perry & Company, Inc., Birmingham

PERRYMAN, C. J.
Hendrix & Mayes, Inc., Montgomery

SCHULHAFER, LOUIS
Odess, Martin & Herzberg, Inc., Birmingham

SHEARER, JOHN S.
Merchants National Bank, Mobile

SHROPSHIRE, OGDEN
Shropshire & Company, Mobile

SMITH, HENRY M.
Stubbs, Smith & Lombardo, Inc., Birmingham

STANSEL, ARTHUR
Courts & Company, Birmingham

STERNE, MERVYN H.
Sterne, Agee & Leach, Birmingham

STUBBS, Jr., GEORGE H.
Stubbs, Smith & Lombardo, Inc., Birmingham

THORNTON, J. MILLS
Thornton, Mohr & Company, Montgomery

THORNTON, Jr., J. MILLS
Thornton, Mohr & Company, Montgomery

TURNER, LEO C.
Marx & Company, Birmingham

ULMER, CLYDE
Courts & Company, Birmingham

VINCENTELLI, JOHN
Merrill Lynch, Pierce, Fenner & Beane, Montgomery

WALKER, CULLOM
Marx & Company, Birmingham

WATKINS, Jr., MILES A.
Stubbs, Smith & Lombardo, Inc., Birmingham

WATKINS, WARNER S.
Watkins, Morrow & Company, Birmingham

WATKINS, Jr., WARNER
Watkins, Morrow & Co., Birmingham

WOOD, GEORGE M.
George M. Wood & Company, Montgomery

WOOD, Jr., GEORGE M.
George M. Wood & Company, Montgomery

Lex Jolley, *Johnson, Lane, Space & Co.*, Atlanta, Ga.; Mr. and Mrs. Harold B. Mayes, *Hendrix & Mayes*, Birmingham, Ala.; Mrs. & Mr. Alonzo H. Lee, *Sterne, Agee & Leach*, Birmingham Ala.

Mrs. and Mr. Morton Cayne, *Cayne & Co.*, Cleveland, Ohio; Mrs. Robert L. Mitton, Denver; Mrs. and Mr. Phillip J. Clark, *Amos Sudler & Co.*, Denver, Colo.

Cleveland Security Traders Association

Carl H. Doerge

George Placky

George F. Opdyke

Don W. Plasterer

President: Carl H. Doerge, *Wm. J. Mericka & Co., Inc.*
Vice-President: George Placky, L. J. Schultz & Co.
Treasurer: George F. Opdyke, *Ledogar-Horner Co.*
Secretary: Don W. Plasterer, *Hornblower & Weeks.*
National Committeemen: James Russell, *Gottron, Russell & Co.;* Edward E. Parsons, Jr., *Wm. J. Mericka & Co., Inc.;* J. L. Quigley, *Quigley & Co., Inc.*
Board of Governors: James N. Russell, *Gottron, Russell & Co.;* Arthur V. Grace, *Arthur V. Grace & Co.;* E. F. Ehrhardt, *The First Cleveland Corp.;* Francis J. Patrick, *Paine, Webber, Jackson & Curtis.*
Took Office: January 1, 1949; Term Expires, December 31, 1949.

ROSTER OF MEMBERS

(Members located in Cleveland unless otherwise indicated)

ASBECK, FREDERICK M.
Wm. J. Mericka & Co., Inc.

BARBER, ELTON
Hayden, Miller & Co.

BARGMANN, CARL F.
Braun, Bosworth & Co. Incorporated

BARHYTE, DAVID J.
Prescott, Hawley, Shepard & Co., Inc.

BAUGH, III, DANIEL

BELLE, CLAUDE
McDonald & Company

BOCK, ROY E.
Dodge Securities Corp.

BORTON, ROBERT E.
Wm. J. Mericka & Co., Inc.

BOWDEN, PAUL S.
Otis & Co.

BRADY, LEO A.
Merrill Lynch, Pierce, Fenner & Beane

BROWN, GEORGE W.
Saunders, Stiver & Co.

CAREY, WALTER J.
Gunn, Carey and Company

CAYNE, MORTON A.
Cayne & Co.

COFFIN, ROBERT H.
C. F. Childs and Company

COOK, LAWRENCE
Lawrence Cook & Co.

COVINGTON, HERBERT H.
Harriman Ripley & Co., Incorporated

CREIGHTON, ALFRED S.
Collin, Norton & Co., Toledo

DAVIDER, ROBERT H.
Nelson, Browning & Co.

DA''S, CLARENCE F.
The First Cleveland Corp.

DE GARMO, A. W.
Merrill Lynch, Pierce, Fen::er & Beane

DOERGE, CARL H.
Wm. J. Mericka & Co., Inc.

DOERGE, JACK O.
Saunders, Stiver & Co.

DORE, WILLIAM
Otis & Co.

DRNEK, JAMES J.
C. J. Devine & Co., Inc.

EAGAN, FRANCIS J.
C. J. Devine & Co., Inc.

EBLE, HOWARD J.
Wm. J. Mericka & Co., Inc.

EHRHARDT, EDWIN F.
The First Cleveland Corp.

EILERS, STANLEY M.
Hornblower & Weeks

EMERSON, HAROLD L.
H. L. Emerson & Co., Incorporated

ERB, ROBERT L.
Green, Erb & Co., Inc.

FISCHER, ALBERT
Paine, Webber, Jackson & Curtis

FLEEGLE, CHARLES
Salomon Bros. & Hutzler

FOGG, Jr., JOSEPH G.
McDonald & Company

FOSTER, WARREN
Otis & Co.

FREDERICK, WILLIAM H.

GAITHER, PAUL
Gottron, Russell & Co.

GAWNE, HARRY
Merrill, Turben & Co.

GEGGUS, EDWARD B.
Curtiss, House & Co.

GIBBS, WILLIAM S.
Halsey, Stuart & Co. Inc.

GIER, BERNARD H.
Merrill Lynch, Pierce, Fenner & Beane

GILLIS, RODERICK A.
G. E. Jaffe & Co.

GINTHER, NELSON D.
Ginther & Company

GLEASON, JOHN M.
Curtiss, House & Co.

GOSHIA, OLIVER
Goshia & Co., Toledo

GOTTRON, RICHARD A.
Gottron, Russell & Co.

GRACE, ARTHUR V.
Arthur V. Grace & Co.

GRAY, WILLIAM S.
Wm. J. Mericka & Co., Inc.

GREEN, ALBERT B.
Green, Erb & Co., Inc.

GREEN, WILLIAM
Green, Erb & Co., Inc.

GRIFFITHS, GEORGE I.
George I Griffiths & Co.

GUNN, CLEMENS E.
Gunn, Carey and Company

HARDONY, MICHAEL C.

HAWKINS, DANIEL M.
Otis & Co.

HLIVAK, STEPHEN E.
Wm. J. Mericka & Co., Inc.

HOPKINS, HAROLD C.
H. C. Hopkins & Co.

HUBERTY, Jr., GEORGE
Goodbody & Co.

HUDSON, CEYLON E.
Wooster, Ohio

JAFFE, GEORGE E.
G. E. Jaffe & Co.

JONES, CHARLES E.
The First Cleveland Corp.

KEIER, RUSSEL E.
Goshia & Co., Toledo

KING, EVERETT A.
Maynard H. Murch & Co.

KOESER, ORIN E.
Blyth & Co., Inc.

KRUSE, JOHN A.
Otis & Co.

LAFFERTY, ALAN E.
Hornblower & Weeks

LEWIS, MILTON B.
G. E. Jaffe & Co.

LISTON, CORWIN L.
Prescott & Co.

LONG, MARTIN J.
The First Cleveland Corp.

MASTERS, OLAN B.
Butler, Wick & Co., Youngstown

McPOLIN, BENJAMIN J.
McDonald & Company

MELODY, Jr., THOMAS A.
The First Boston Corp.

MERICKA, WILLIAM J.
Wm. J. Mericka & Co., Inc.

METZENBAUM, ARTHUR
Will S. Halle & Co.

MORROW, FRANK W.
Morrow & Co.

NADEAU, CHARLES S.
Gottron, Russell & Co.

NASH, CHARLES J.
Ceylon E. Hudson, Wooster

OPDYKE, GEORGE F.
Ledogar-Horner Company

PARSONS, Jr., EDWARD E.
Wm. J. Mericka & Co., Inc.

PATRICK, FRANCIS J.
Paine, Webber, Jackson & Curtis

PERKO, JOHN F.
J. F. Perko & Company

PERRY, WILLIAM J.
Cleveland Stock Exchange

PLACKY, GEORGE
L. J. Schultz & Co.

PLASTERER, DON W.
Hornblower & Weeks

PROSSER, GUY W.
Merrill Lynch, Pierce, Fenner & Beane

QUIGLEY, JAY L.
Quigley & Co., Inc.

REID, FRANK B.
Maynard H. Murch & Co.

REYNOLDS, WILLIAM D.
The First Cleveland Corp.

ROSS, LEONARD O.

ROWLEY, RUSSELL K.
Geyer & Co., Inc.

RUDIN, HARMON A.
Ledogar-Horner Company

RUNG, EDMUND J.
C. J. Devine & Co., Inc.

RUSSELL, JAMES N.
Gottron, Russell & Co.

SCHROEDER, FRANKLIN L.
Braun, Bosworth & Co. Incorporated
Toledo

SCHULTE, Jr., FRANK J.
Ledogar Horner Company

SCHULTZ, LEO J.
L. J. Schultz & Co.

SHORSHER, FRED A.
Ball, Burge & Kraus

SMITH, EDWARD S.
Hornblower & Weeks

SMITH, PIERRE R.
P. R. Smith & Co., Elyria, Ohio

STIVER, ALVIN J.
Saunders, Stiver & Co.

STEFFEN, WARREN G.
Otis & Co.

SUMERGRADE, IRVING
Francis I. du Pont & Co.

TAYLOR, JAMES N.
Ceylon E. Hudson, Wooster

ULLMAN, RUFUS M.
Ullman & Co., Inc.

WARDLEY, RUSSELL G.
Maynard H. Murch & Co.

WEAVER, ROBERT
Hornblower & Weeks

WILLIAMS, GEORGE R.
Livingston, Williams & Co., Inc.

WITT, JOHN P.
John P. Witt & Co.

ZEMAN, TED
Prescott & Co.

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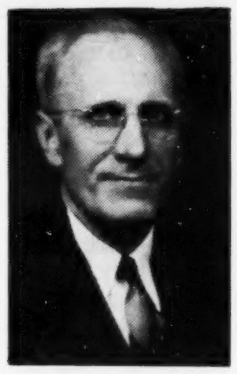
Georgia Security Dealers Association

Lex Jolley

Alex. Yearley, IV



James S. Budd, Jr.

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Vice-President: Alexander Yearley IV, *Robinson-Humphrey Co.*, Atlanta.
Secretary-Treasurer: James S. Budd, Jr., *Citizens & Southern National Bank*, Atlanta.
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Alternates: Lloyd B. Hatcher, *Trust Company of Georgia*, Atlanta; J. Kary Beavers, *Trust Company of Georgia*, Atlanta.
Elected: June 10, 1949; Took Office: July 1, 1949; Term Expires: June 30, 1950.

ROSTER OF MEMBERS

(Members located in Atlanta unless otherwise indicated)

ADAMS, ALLISON
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Wyatt, Neal & Waggoner
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Courts & Co.
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Clement A. Evans & Company, Inc.
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Goodbody & Co.
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Courts & Co.
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Johnson, Lane, Space & Co., Inc.
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BROADWELL, WILLIAM F.
Courts & Co.
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Byron Brooke & Co.
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Stockton Broome & Co.
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Brown & Groover, Macon
BROWN, JOSEPH E.
Courts & Co.
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Beer & Company
BRYANT, EVERETT C.
Courts & Co., Newman
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Clement A. Evans & Company, Inc.
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The Citizens and Southern National Bank
CARTER, Jr., HUGH D.
Courts & Co.
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Varnedoe, Chisholm & Co., Inc.
Savannah
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Johnson, Lane, Space & Co., Inc.
CLARKE, Jr., HAGOOD
Clement A. Evans & Company, Inc.
Columbus
CLARKE, HARRISON
Johnson, Lane, Space & Co., Inc.
CLISBY, JOSEPH R.
Courts & Co., Macon
COOPER, HOMER G.
Courts & Co., Athens
COURTS, MALON C.
Courts & Co.
COURTS, RICHARD W.
Courts & Co.
COX, E. P.
Courts & Co.
CRAFT, GEORGE C.
Trust Company of Georgia
CRAWFORD, ALLEN
Johnson, Lane, Space & Co., Inc.
Savannah
CRAWFORD, Jr., ALLEN C.
French & Crawford, Inc.
CROFT, Jr., ED. S.
The Robinson-Humphrey Company
CROUCH, LEO P.
Thomson & McKinnon
DAVIS, LLOYD
Courts & Co.
DEAN, J. B.
J. W. Tindall & Co.
DENNY, RICHARD A.
Courts & Co.
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Augusta
DULANEY, LANDON C.
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DURRETT, J. FRAZER
J. H. Hilsman & Co., Inc.
EVANS, CLEMENT A.
Clement A. Evans & Company, Inc.
FLEMING, WILLIAM S.
Courts & Co., Albany, Ga.
FLEMING, STROTHER
Beer & Company
FORD, A. C.
Milhous, Martin & Co.
FRENCH, J. McCREA
French & Crawford, Inc.
FROST, JAY D.
J. H. Hilsman & Co., Inc.
GARRETT, HENRY B.
Clement A. Evans & Company, Inc.
Augusta
GAY, Jr., EDWARD
Courts & Co.
GLENN, JOHN F.
Courts & Co.
GRADY, Jr., HENRY W.
The Robinson-Humphrey Company
GRIGGS, Jr., JAMES R.
Courts & Co., La Grange
GROOVER, T. DENMARK
Brown & Groover, Macon
HANCOCK, ROY W.
Hancock, Blackstock & Co.
HARRIS, J. RALPH
Goodbody & Co.
HATCHER, LLOYD B.
Trust Company of Georgia
HEID, H. P.
The Robinson-Humphrey Company
HENRY, FRANK
Courts & Co.
HILL, CARL
Milhous, Martin & Co.
HINDSMAN, D. W.
Johnson, Lane, Space & Co., Inc.
HIRSHBERG, JULIAN R.
Norris & Hirshberg, Inc.
HOFFMAN, CULLEN J.
Cullen J. Hoffman Company, Columbus
HOPKINS, W. CABELL
Courts & Co., Columbus
HUGER, WILLIAM E.
Courts & Co.
HULL, J. G.
Merrill Lynch, Pierce, Fenner & Beane
HUME, E. S.
HUNERKOPH, CLOVIS
Trust Company of Georgia
JACOBS, ROGER M.
Hancock, Blackstock & Co.
JAMES, Jr., WALTER S.
Clement A. Evans & Company, Inc.
JELKS, FREEMAN N.
Johnson, Lane, Space & Co., Inc.
Savannah

(Continued on page 24)

Mrs. and Mr. James F. FitzGerald, *W. L. Canady & Co.*, New York City

Don E. Sloan, *Sloan & Wilcox*, Portland, Oreg., calling the contest for "old timers"

Mr. and Mrs. George H. Earnest, *Fewel & Co.*, Los Angeles, Calif.

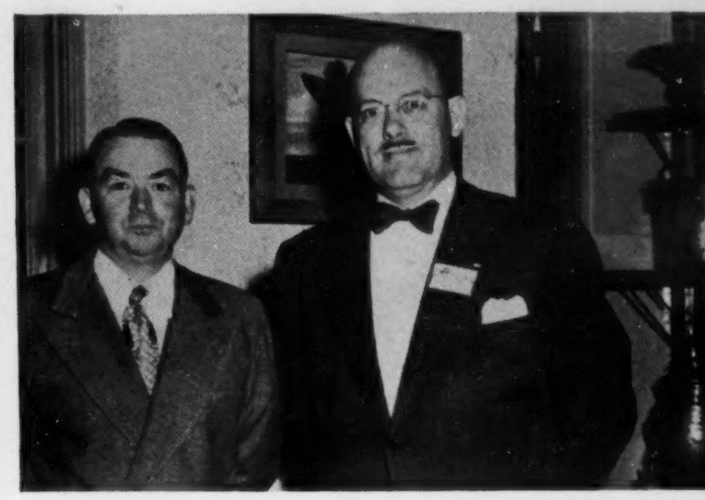
Georgia Security Dealers Association

(Continued from page 23)

JOHNSON, GARNER A.
Milhous, Martin & Co.
JOHNSON, HARRY H.
Merrill Lynch, Pierce, Fenner & Beane
JOHNSON, THOMAS M.
Johnson, Lane, Space & Co., Inc. Savannah
JOHNSTON, J. LAMB
The Robinson-Humphrey Company
JOLLEY, LEX
Johnson, Lane, Space & Co., Inc.
JONES, R. L.
The Robinson-Humphrey Company
JORDAN, LUDLOW
Courts & Co.
KABLE, JOHN R.
Clement A. Evans & Company, Inc.
KAROW, LESTER
Varnedoe, Chisholm & Co., Inc. Savannah
KEY, R. C.
La Grange
KILPATRICK, Jr., ANDREW J.
Augusta
KINARD, JOSEPH
Courts & Co.
KING, RICHARD W.
Merrill Lynch, Pierce, Fenner & Beane
KISER, M. C.
Courts & Co.
KNELLER, G. C.
Johnson, Lane, Space & Co., Inc. Savannah
KONTZ, JOHN T.
Merrill Lynch, Pierce, Fenner & Beane
LAY, J. E.
Trust Company of Georgia
LAYTON, BUXTON L.
Dobbs & Co.
LEDWELL, RONALD E.
Hancock, Blackstock & Co.
LEE, R. E.
Wyatt, Neal & Waggoner
LESSER, NORMAN
Stockton Broome & Co.
LEVINS, WILLIAM
Courts & Co.
LEWIS, WILLIAM W.
Courts & Co.
LIVINGSTON, LORTON S.
Varnedoe, Chisholm & Co., Inc. Savannah
LUTTRELL, W. R.
Columbus
MADDOX, JOSEPH J.
Courts & Co.
MALLORY, WALDO W.
Clement A. Evans & Company, Inc.
MALLORY, Jr., WALDO W.
Clement A. Evans & Company, Inc.
MANNERS, PAUL E.
First National Bank
MARTIN, Jr., JUSTUS C.
Thomson & McKinnon
MARTIN, WAYNE
Milhous, Martin & Co.
MASON, JAMES
Johnson, Lane, Space & Co., Inc. Augusta
MATHEWS, Jr., ROBERT C.
Trust Company of Georgia
McCLELLAND, JOHN E.
J. H. Hilsman & Co., Inc.
McCORD, Jr., JOSEPH A.
Merrill Lynch, Pierce, Fenner & Beane
McNAIR, HOWARD S.
Courts & Co.
McRAE, D. FINLAY
Blair & Co., Inc.
McWHORTER, FONVILLE
Courts & Co.
MEANS, JAMES W.
Courts & Co.
MEILL, EDWARD
Courts & Co.
MILHOUS, JAMES F.
Milhous, Martin & Co.
MILSTEAD, ANDREW J.
Merrill Lynch, Pierce, Fenner & Beane
MONK, GEORGE W.
Clement A. Evans & Company, Inc.
MORRIS, HILTON L.
Courts & Co.
MORRIS, JACK C.
Courts & Co.
MORRIS, JOSEPH L.
The Robinson-Humphrey Company
MURPHY, BARNARD
Courts & Co.
MYERS, FRANK J.
J. H. Hilsman & Co., Inc.
NEAL, J. ROBERT
Wyatt, Neal & Waggoner
NOELL, J. R.
Courts & Co., Athens
NUNNALLY, McKEE
Courts & Co.
OBERRY, GEORGE G.
Merrill Lynch, Pierce, Fenner & Beane
PANAGOS, JAMES A.
Courts & Co.
PARKER, LAWRENCE C.
French & Crawford
PAULSEN, GROVER
Johnson, Lane, Space & Co., Inc. Savannah
PEEPLES, FRANK
Clement A. Evans & Company, Inc. Macon
PENDERGRAST, T. J.
Courts & Co.
PERKINSON, TOM
Courts & Co.
PRESTON, Jr., SAM W.
Hancock, Blackstock & Co.
RAGSDALE, IRVIN T.
The Robinson-Humphrey Company
REEVES, H. GRADY
Courts & Co.
REVSON, Jr., ALFRED F.
Courts & Co.
REYNOLDS, JOHN C.
French & Crawford, Inc.
REYNOLDS, ZAHNER
Courts & Co.
RICHARDSON, W. ARTHUR
Griggs & Richardson, La Grange
RIVES, Jr., SIDNEY B.
Clement A. Evans & Company, Inc. Macon
ROBERTS, BEN E.
Courts & Co.
ROBINSON, H. ENGLISH
Clement A. Evans & Company, Inc.
ROBINSON, ROBY
The Robinson-Humphrey Company
RUDOLPH, BEN A.
Johnson, Lane, Space & Co., Inc.
SAUSSY, WILLIAM H.
Varnedoe, Chisholm & Co., Inc. Savannah
SETTLE, J. FLEMING
J. H. Hilsman & Co., Inc.
SETTLE, ROYSTON R.
J. H. Hilsman & Co., Inc.
SHOUN, MURRAY C.
Merrill Lynch, Pierce, Fenner & Beane
SIMKINS, ARTHUR B.
Clement A. Evans & Company, Inc. Savannah
SITES, FRANK B.
Courts & Co.
SLATTERY, JOSEPH
Johnson, Lane, Space & Co., Inc. Augusta
SMITH, SIDNEY M.
Clement A. Evans & Company, Inc.
SMITH, WALTER
Courts & Co.
SMITH, WILEY J.
Johnson, Lane, Space & Co., Inc. Augusta
SPACE, Jr., JULIAN A.
Johnson, Lane, Space & Co., Inc. Savannah
SPALDING, JACK
Clement A. Evans & Company
SPEAS, J. W.
First National Bank
STAMPS, JAMES
Courts & Co.
STEINHAUER, R. E.
Norris & Hirshberg, Inc.
STEWART, E. M.
J. H. Hilsman & Co., Inc.
SUMMERS, J. C.
Johnson, Lane, Space & Co., Inc. Savannah
TATUM, IRVING
Clement A. Evans & Company, Inc.
TAYLOR, Jr., F. E.
Fulton National Bank
TILLMAN, THOMAS M.
Tillman-Whitaker Co., Athens
TINDALL, JULIAN W.
J. W. Tindall & Co.
TOMPKINS, HENRY B.
The Robinson-Humphrey Company
TRAYWICK, HOWARD C.
Trust Company of Georgia
UNDERWOOD, L. DEAN
Norris & Hirshberg, Inc.
VARNEDOE, SAMUEL L.
Varnedoe, Chisholm & Co., Inc. Savannah
VIRGIN, JOHN E.
Courts & Co., Macon
WAGGONER, T. REUBEN
Wyatt, Neal & Waggoner
WALKER, SAMUEL D.
J. H. Hilsman & Co., Inc.
WALLACE, Jr., ROY W.
Merrill Lynch, Pierce, Fenner & Beane
WEIRAUCH, CHARLES F.
Courts & Co., Athens
WELLBORN, MARSHALL J.
Courts & Co., Rome
WELLS, G. PAUL
Hancock, Blackstock & Co.
WEYMAN, GEORGE F.
Norris & Hirshberg, Inc.
WHITAKER, JAMES L.
Tillman-Whitaker Co., Athens
WHITTLESEY, GEORGE S.
Courts & Co., Albany
WILLIAMS, JOHN W.
Courts & Co., Rome
WILLIAMS, Jr., JOS. H.
Clement A. Evans & Company, Inc.
WILLIAMSON, CHARLES J.
C. J. Williamson & Co., Augusta
WILLIS, EUGENE F.
J. W. Tindall & Co.
WILLIS, FRANCIS D.
Merrill Lynch, Pierce, Fenner & Beane
WILSON, ARTHUR Y.
Beer & Company
WOLTZ, MILLARD T.
Merrill Lynch, Pierce, Fenner & Beane
WOODWARD, ANDY
Courts & Co
WOOLFOLK, JOHN C.
WYATT, HENRY
Wyatt, Neal & Waggoner
YEARLEY, IV, ALEXANDER
The Robinson-Humphrey Company

Wm. Perry Brown, *Newman, Brown & Co.*, New Orleans; Mrs. and Mr. Gordon Crockett, *Shields & Company*, Houston, Tex.

Mr. and Mrs. James N. Russell, *Gottron, Russell & Co.*, Cleveland; Charles A. Richards, *Field, Richards & Co.*, Cincinnati



Clifford Poindexter, *Wagenseller & Durst, Inc.*, Los Angeles; Lawrence S. Pulliam, *Weeden & Co.*, Los Angeles

Baltimore Security Traders Association

E. Elwood McClure

William J. Herr

Joseph G. Strohmer

Wm. C. Roberts, Jr.

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Alternates: R. Emmet Bradley, *John C. Legg & Company;* John M. O'Neill, *Stein Bros. & Boyce.*
Took Office: January 1, 1949.

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Robert Garrett & Sons
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Stirling, Morris & Bousman
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Baker, Watts & Co.
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Harry M. Sheely & Co.
GRAY, E. GUY
Mercantile Trust Co. of Baltimore
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GROSS, CHARLES
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KRIEGEL, LEO
H. Landon Davies
LIST, ROBERT
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Stein Bros. & Boyce
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Robert Garrett & Sons
O'NEILL, JOHN M.
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PIET, Jr., HARRY R.
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Baker, Watts & Co.
POE, PHILIP L.
Philip L. Poe & Co.
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SHEELY, HARRY M.
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SNYDER, JACK
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SOWERS, J. CLAIRE
Mead, Miller & Co.
SPILKER, C. ALFRED
Equitable Trust Co.
STROHMER, JOSEPH G.
John C. Legg & Company
SUNDERLAND, EDWIN P.
John C. Legg & Company
TAYLOR, PRESTON A.
Mead, Miller & Co.
WARREN, ROBERT A.
Baker, Watts & Co.
WATERS, CLINTON C.
Kidder, Peabody & Co.
WATTS, Jr., SEWELL S.
Baker, Watts & Co.
WEILEPP, WALTER M.
WHITAKER, HAMILTON T.
Stein Bros. & Boyce
WHITE, GEORGE M.
Merrill Lynch, Pierce, Fenner & Beane
WILBUR, LeROY A.
Stein Bros. & Boyce
WILHELM, F. OSBORNE
C. T. Williams & Company, Inc.
YEAGER, G. THOMAS
Baker, Watts & Co.

Hosts at the *Colorado Fuel & Iron Corp.* Cocktail party Oct. 5 (at which Zippo Lighters were given out, too): William M. White, director; Earl D. Page, Comptroller; Jay J. Martin, Vice-President; H. C. Crout, Treasurer, and John B. Welborn, director, all of the *Colorado Fuel & Iron Corp.*

John McAllister, *Colorado Fuel & Iron Corp.*; Larry Wren, *Allen & Co.*, New York City; John A. Schwarz, Public Relations, *Colorado Fuel & Iron Corp.*; Harmon Davis, *ado Fuel & Iron Corp.*

Bond Traders Club of Chicago

Glen A. Darfler

Donald R. Muller

Charles G. Scheuer

Robert B. Krell

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Vice-President: Donald R. Muller, *Harris, Upham & Co.*

Treasurer: Charles G. Scheuer, *Scheuer & Co.*
Secretary: Robert B. Krell, *Bacon, Whipple & Co.*
Directors: Frank H. Buller, *Hickey & Co., Inc.*; Milton J. Isaacs, *Straus & Blosser*; Star C. Koerner, *Mitchell, Hutchins & Co.*; Leonard J. Wolf, *A. G. Becker & Co.*
National Committeemen: Glen A. Darfler, *Kneeland & Co.*; Elmer W. Hammell, *Caswell & Co.*; Milton J. Isaacs, *Straus & Blosser*; Charles G. Scheuer, *Scheuer & Co.*; Robert Strauss, *Daniel F. Rice & Co.*
Alternates: Lawrence N. Marr, *E. H. Rollins & Sons, Inc.*; Star C. Koerner, *Mitchell, Hutchins & Co.*; Chris J. Newpart, *Merrill Lynch, Pierce, Fenner & Beane*; Larry A. Higgins, *Hulburd, Warren & Chandler*; Leonard J. Wolf, *A. G. Becker & Co.*

Elected: January 25, 1949. Took Office: March 1, 1949; Term Expires: February 28, 1950.

ROSTER OF MEMBERS

(Members located in Chicago unless otherwise indicated)

ALLYN, JOHN W.
A. C. Allyn & Co.

ALM, WALTER C.
David A. Noyes & Co.

ANDERSON, ALFRED E.
Faroll & Company

ANDERSON, JOHN A.
Anderson, Plotz & Company, Inc.

ANDERSON, WILLIAM A.
Hickey & Co., Inc.

ANDERSON, Jr., WILLIAM T.
Goodbody & Co.

ARTHUR, JOHN
David A. Noyes & Co.

BACHAR, STEPHAN A.
Hirsch & Co.

BALLISCH, JOSEPH G.
A. C. Allyn and Company, Inc.

BARCLAY, HAROLD
Barclay Investment Co.

BARNHART, HORACE G.
First La Salle Co.

BARNHART, WILLIAM S.
First La Salle Co.

BARRY, THOMAS M.

BARTHELL, J. GARY
Harris, Upham & Co.

BAUM, NORMAN B.
E. H. Rollins & Sons Incorporated

BAX, PAUL J.
Barclay Investment Co.

BAY, JAMES N.
Thomas E. King & Co.

BECKER, WILLIAM J.
L. F. Rothschild & Co.

BELT, ROBERT K.
Culbertson, Olsen & Co. Incorporated

BENSON, GEORGE B.
Swift, Henke & Co.

BERG, RODNEY M.
Hirsch & Co.

BINZ, A. A.
Shearson, Hammill & Co.

BLANEY, JAMES P.
J. P. Blaney & Co.

BLOHM, MILTON R.
Glore, Forgan & Co.

BLOMBERG, CARL X.
Thomson & McKinnon

BLUMENTHAL, HAROLD
Swift, Henke & Co.

BODEN, JOHN L.
Lamson Bros. & Co.

BOEDEKER, ROBERT F.
Central Republic Company

BOWKER, HERBERT H.
Harris, Hall & Company (Incorporated)

BREWER, G. FABIAN
William Blair & Company

BROWN, HARRY M.
Salomon Bros. & Hutzler

BULLER, FRANK H.
Hickey & Co., Inc.

BURCH, FRANK G.
Kneeland & Co.

BURKE, DAVID J.
Blunt Ellis & Simmons

BURKE, EDWARD M.
F. S. Yantis & Co., Incorporated

BURKE, HERBERT J.
Rogers & Tracy, Inc.

BUSBEY, HON. FRED E.

CAMPBELL, EDWARD J.
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CANN, JULES F.
Lehman Brothers

CANN, MAURICE J.
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CASEY, FRED J.
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CASSERLY, Jr., THOMAS D.
Doyle, O'Connor & Co., Inc.

CAVANAUGH, AUDRAN J.
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CERF, Jr., FLOYD D.
Floyd D. Cerf, Jr. Company, Incorporated

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CLARKE, JOHN W.
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Cruttenden & Co.

COCHRAN, LOREN A.
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COLLINS, TIMOTHY A.
Daniel F. Rice and Company

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Alfred O'Gara & Co.

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Bacon, Whipple & Co.

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A. C. Allyn & Company, Incorporated

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Cruttenden & Co.

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Cruttenden & Co.

CRUTTENDEN, Jr., WALTER W.
Cruttenden & Co.

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Kneeland & Co.

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Hulburd, Warren & Chandler

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Ernst & Co.

HOFER, RAYMOND
Ernst & Co.

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Eastman, Dillon & Co.

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HUMMEL, GEORGE F.
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Lee Higginson Corporation

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ISAACS, MILTON J.
Straus & Blosser

JACOBSON, FRANK E.
Mercantile National Bank

JACOBSON, R. DONALD
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JANSHOFF, ROBERT W.
Otis & Co.

JOHNSON, FREDERICK F.
Barcus, Kindred & Co.

JOHNSON, TOGE V.
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JONES, WILLARD C.
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KANE, VINCENT T.
Alm, Kane, Rogers & Co.

KANT, HERBERT H.
Greenebaum Investment Co.

KEARNS, HUGH T.
Doyle, O'Connor & Co., Inc.

KEEGAN, BERNARD R.
Hickey & Co., Inc.

KEGLEY, WILLIAM C.
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Stern Brothers & Co.

KEITH, CLYDE H.
Cruttenden & Co.

KELLY, FRANK S.

KELLY, JOHN A.
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Kneeland & Co.

KERR, WILLIAM D.
Bacon, Whipple & Co.

KING, GEORGE F.
White, Weld & Co.

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Thomas E. King & Co.

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Mitchell, Hutchins & Co.

KOONTZ, HARVEY R.
Brown Brothers Harriman & Co.

KRELL, ROBERT B.
Bacon, Whipple & Co.

LAIDLEY, FORREST
Hicks & Price

LANE, WILLIAM H.
Harris Trust & Savings Bank

LANGILL, BANFORD B.
Langill & Co.

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Kneeland & Co.

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Wheelock & Cummins, Inc.

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Hornblower & Weeks

LEASON, HARVEY A.
Leason & Co., Inc.

LEE, ARTHUR D.
Goldman, Sachs & Co.

LEE, JOSEPH M.
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LEINSS, EDWARD A.
Sutton & Company

LIENING, EDWARD
Scheuer & Co.

LINDER, EVAR L.
Paine, Webber, Jackson & Curtis

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Cruttenden & Co.

MATZ, CHARLES T.
Reynolds & Co.

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C. J. Devine & Co., Inc.

MAYER, ERNEST A.
Dayton & Gernon

McCOTTER, DONALD C.
Lee Higginson Corporation

McFARLANE, LAURENCE B.
F. S. Moseley & Co.

McGHIE, Jr., GEORGE W.
Comstock & Co.

McGREEVY, JOHN A.
Bache & Co.

McHUGH, JOHN D.
James J. McNulty & Company

MELL, HERMAN G.
Merrill Lynch, Pierce, Fenner & Beane

MEYER, JULIEN L.
Salomon Bros. & Hutzler

MEYERS, HENRY P.
Goldman, Sachs & Co.

MIEHLS, DON G.
William Blair & Company

MILLER, SAUL R.
Miller, Spink & Co.

MOELMANN, EDWIN J.
Spencer Trask & Co.

MOFFAT, DONALD L.
C. F. Childs and Company

MONTGOMERY, THOMAS R.
Glore, Forgan & Co.

MOON, RUSSELL F.
Shearson, Hammill & Co.

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Milwaukee, Wis.

MORTON, HOWARD C.
McMaster Hutchinson & Co.

MULLER, DONALD R.
Harris, Upham & Co.

MURPHY, JAMES H.
Dempsey-Tegeler Co.

MURPHY, JOHN D.
Paine, Webber, Jackson & Curtis

NELSON, HARRY L.
Blyth & Co., Inc.

NELSON, WILLIAM A.
Bear, Stearns & Co.

NEWELL, EDWARD F.
Langill & Co.

NEWPART, CHRIS. J.
Merrill Lynch, Pierce, Fenner & Beane

NIEBUHR, LOWELL
Leason & Co., Inc.

NOEL, WILLIAM J.
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NORTON, LAWRENCE H.
Remer, Mitchell & Reitzel, Inc.

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Sincere and Company

O'CONNOR, HUGH J.
Betts, Borland & Co.

O'DONNELL, CHARLES R.
Harris, Upham & Co.

OLDERSHAW, HALLOCK B.
Blyth & Co., Inc.

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J. P. O'Rourke & Co.

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Welsh, Davis & Co.

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W. C. Gibson & Co.

PECK, EDGAR A.
W. C. Gibson & Co.

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(Continued from page 27)

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Hornblower & Weeks
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Brown Brothers Harriman & Co.
PODESTA, ROBERT A.
Cruttenden & Co.
POLLICK, JOHN P.
Swift, Henke & Co.
PRESCOTT, MILTON A.
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PROSSER, WALTER W.
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RAHN, FRED T.
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RAMING, H. PHILIP
Glore, Forgan & Co.
RANDALL, RALPH G.
Mason, Moran & Co.
RENIER, EDWARD P.
Comstock & Co.
REVELL, RAYMOND F.
Apgar, Daniels & Co.
REYNOLDS, T. LEO
Dempsey & Company
ROBERTSON, CLARKE J.
Sills, Fairman & Harris, Inc.
ROBINSON, ELDRIDGE
Sills, Fairman & Harris, Inc.
ROGERS, JOHN C.
Hickey & Co., Inc.
ROOB, EDWARD A.
Salomon Bros. & Hutzler
ROSS, CONRAD J.
Mitchell, Hutchins & Co.
RUGGLES, MARVIN C.
The Northern Trust Company
SACCO, ARTHUR C.
Detmer & Co.
SACHNOFF, MOREY D.
Straus & Blosser
SACHNOFF, SAMUEL
The First National Bank of Chicago
SANDBERG, LAWRENCE
Norris & Kenly
SAWERS, ARTHUR R.
Chesley & Co.
SAYRE, BYRON J.
John Nuveen & Co.
SCHEUER, CHARLES G.
Scheuer & Co.
SCHMITZ, JOHN F.
Daniel F. Rice and Company
SCHOETTLER, F. GIRARD
Wayne Hummer & Co.
SCOTT, MORTIMER W.
Scott & Wyandt, Incorporated
SELLERS, PAUL A.
The Illinois Company
SEMBACH, HAROLD J.
Remer, Mitchell & Reitzel, Inc.
SENNOTT, WILLIAM J.
Shields & Company
SHALES, GLENN S.
Carter H. Harrison & Co.
SHAW, BRADFORD W.
Swift, Henke & Co.
SHERWOOD, DONALD B.
Stifel, Nicolaus & Co., Inc.
SILBERMAN, NATHAN M.
Straus & Blosser
SIMMONS, RICHARD W.
Blunt Ellis & Simmons
SKEPNEK, Jr., PAUL J.
Rogers & Tracy, Inc.
SMITH, GEORGE W.
First Securities Company of Chicago
SMOLE, J. A.
The First National Bank of Chicago
SOMMERS, FLOYD J.
Blyth & Co., Inc.
SORENSON, OLAF A.
Jas. H. Oliphant & Co.
SPANIER, WILLIAM A.
SPARKS, ALLEN K.
F. A. Carlton & Co.
SPINK, PAUL W.
Miller, Spink & Co.
STEFFES, JAMES W.
Swift, Henke & Co.
STEPHENS, DONALD B.
Paul H. Davis & Co.
STEWART, JOHN W.
C. J. Devine & Co., Inc.
STILLWELL, JOHN D.
Kidder, Peabody & Co.
STIRLING, LOUIS J.
Hirsch & Co.
STONER, HARLEY H.
Halsey, Stuart & Co. Inc.
STRAIT, WALTER L.
Ames, Emerich & Co.
STRAUS, FREDERICK W.
Straus & Blosser
STRAUSS, ROBERT
Daniel F. Rice and Company
STRONG, O. H.
The First National Bank of Chicago
SUNDELL, ROY B.
Greenebaum Investment Co.
SUTTON, LAWRENCE S.
Sutton & Company
SWANSON, KNUTE G.
Carter H. Harrison & Co.
SWEENEY, IRA J.
F. S. Moseley & Co.
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J. P. O'Rourke & Co.
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Torley & Tegtmeyer
THORSEN, LESTER J.
Glore, Forgan & Co.
TORGERSON, FRANK S.
Link, Gorman, Peck & Co.
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De Young-Tornga Co.
Grand Rapids, Mich.
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Kebbon, McCormick & Co.
UNGEHER, FRED E.
Rogers & Tracy, Inc.
VACHA, JAMES C.
Webber, Simpson & Co.
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Harry O. Valleau & Co.
VALLELY, EDWARD V.
John Nuveen & Co.
VOGEL, DENES D.
Hornblower & Weeks
WAHLQUIST, GEORGE R.
Weeden & Co.
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A. C. Allyn and Company, Inc.
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J. P. O'Rourke & Co.
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WALLACE, WILLIAM M.
Francoeur & Company, Inc.
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WARE, JAMES R.
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Doyle, O'Connor & Co., Inc.
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WERNECKE, RICHARD A.
Paul H. Davis & Co.
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Baker, Walsh & Co.
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Rogers & Tracy, Inc.
WILLIAMS, GEORGE P.
Langill & Co.
WILTBERGER, ALFRED S.
Blyth & Co., Inc.
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CHAPIN, ROY F.
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Hornblower & Weeks

CROUSE, CHARLES B.
Crouse & Company

CURRIE, GILBERT S.
Crouse & Company

CURTIS, SAM
Bache & Co.

DANIELS, JOHN
Charles A. Parcells & Co.

DELANEY, ROY F.
Smith, Hague & Co.

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Charles A. Parcells & Co.

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Stoetzer, Faulkner & Co.

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Wm. C. Roney & Co., Saginaw

FISHER, DONALD B.

FLEISCHMAN, WILLIAM M.
A. H. Vogel & Co.

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GARCEAU, FRANK J.
Wm. C. Roney & Co.

GARDNER, BRACKETT
A. H. Vogel & Co.

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McDonald-Moore & Co.

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Donovan, Gilbert & Co., Lansing

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Titus-Miller & Company, Ann Arbor

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Wm. C. Roney & Co.

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Jackson

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Grand Rapids

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H. Hentz & Co.

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Wm. C. Roney & Co.

HASTINGS, H. RUSSELL
Crouse & Company

HASTINGS, PIERCE A.
Straus & Blosser

HEALY, WILLIAM B.
Comstock & Co., Chicago, Ill.

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Bradley Higbie & Co.

HILL, J. GORDON
Watling, Lerchen & Co.

HINDES, HOWARD
Goodbody & Co.

HINSHAW, JOSEPH
Watling, Lerchen & Co.

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HOLLISTER, GEORGE R.
White, Noble & Company, Grand Rapids

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First of Michigan Corporation

HUBER, FRED W.
Andrew C. Reid & Co.

HUGHES, VICTOR M.
Watling, Lerchen & Co.

HUMPHRIES, NORMAN D.
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Smith, Hague & Co.

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Manufacturers National Bank

JARVIS, LEROY O.
Paine, Webber, Jackson & Curtis

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Security Traders Association of Detroit And Michigan, Inc.

(Continued from page 29)

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McDOWELL, Jr., GEORGE A.
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PARMENTER, EUGENE A.
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Wm. C. Roney & Co.
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Wm. C. Roney & Co.
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SCHOLLENBERGER, HERBERT
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SHANNON, JONES B.
Jones B. Shannon & Company
SHOEMAKER, WILLIAM E.
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Siler & Company
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SIMONDS, RALPH W.
Baker, Simonds & Co.
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Sm**h, Hague & Co.
SMITH, PHIL H.
Kales-Kramer Investment Company
SNELL, ROBERT L.
Moreland & Co.
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Straus & Blosser
STEIN, MYRON D.
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De Young-Torgna Co., Grand Rapids
VANDERVOORT, HENRY
Cray, McFawn & Company
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WALLACE, ROBERT
Wm. C. Roney & Co.
WALLER, HERBERT L.
Charles E. Bailey & Co.
WARWICK, ALBERT V.
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WATLING, JOHN W.
Watling, Lerchen & Co.
WATLING, PALMER
Watling, Lerchen & Co.
WEAVER, STANLEY M.
Straus & Blosser
WEDTHOFF, GUY G.
First of Michigan Corporation
WELCH, EDWARD L.
Baker, Simonds & Co.
WILKINSON, STANLEY H.
WILLIAMS, JOHN M.
George A. McDowell & Co.
WILLIAMS, VICTOR
Paine, Webber, Jackson & Curtis
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Shader-Winckler Co.
WOOD, WARREN A.
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WRIGHT, JOHN C.
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Elected: January, 1949; Took Office: January, 1949; Term Expires: January, 1950.

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Elected: January 31, 1949; Took Office: February 1, 1949; Term Expires: December 31, 1949.

ROSTER OF MEMBERS

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LEAR, JAMES C. Reed, Lear & Co.
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NUTTALL, RICHARD V. R. V. Nuttall & Co.
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PARKER, NATHAN K. Kay, Richards & Co.
PARRY, HERBERT B. Blair F. Claybaugh & Co.
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PONICALL, Jr., FRANK M. Singer, Deane & Scribner
POWELL, ELMER E. Elmer E. Powell & Co.
REED, PAUL Graham & Co.
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SHEPPARD, JOHN S. Fauset, Steele & Co.
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TIERNAN, Jr., FRANK M. Preston, Watt & Schoyer
TITUS, S. J. R. C. Schmertz & Company, Inc.
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TUNNELL, PAUL H. M. Byllesby and Company Incorporated
UMSTEAD, S. AUSTIN A. E. Masten & Company
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VORSANGER, WILLIAM Blair F. Claybaugh & Co.
WARD, NORMAN B. Norman Ward & Co.
WILLEY, FRED W. E. H. Rollins & Sons Incorporated
WOLF, JOHN W. Kay, Richards & Co.
WOODS, JOHN P. Mellon National Bank & Trust Co.
YOUNG, GEORGE R. Young & Co., Inc.
ZINGERMAN, ROGER Merrill Lynch, Pierce, Fenner & Beane

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Arthur Hatz, *Arnhold & S. Bleichroeder, Inc.*, New York City; Johnny Cornell, *Dallas Rupe & Son*, Dallas; Ed Vallely *John Nuveen & Co.*, Chicago; Bill May, *May & Gannon, Inc.*, Boston, Mass.

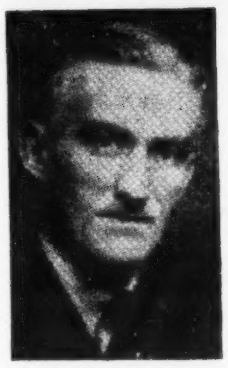
Security Traders Association of New York

James F. FitzGerald

John M. Mayer

Richard H. Goodman

John J. Meyers, Jr.



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Took Office: January 1, 1949; Term Expires: December 31, 1949.

ROSTER OF MEMBERS

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Aal & Golkin

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Richard F. Abbe Company

ABELOW, ALFRED I.
Mitchell & Company

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Freeman & Company

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Spencer Trask & Co.

AIGELTINGER, FRANK W.
Aigeltinger & Co.

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ALLEN, HERBERT
Allen & Company

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Junger, Anderson & Co.

ARNOLD, HARRY L.
Paine, Webber, Jackson & Curtis

AVERELL, ALFRED B.
Bache & Co.

BAIR, JOHN W.
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BARBIER, LESLIE
G. A. Saxton & Co., Inc.

BARKEN, PETER

BARMONDE, PHILIP T.
R. M. Gilliland & Co.

BARNES, RICHARD M.
A. M. Kidder & Co.

BARRETT, FRANK D.
H. C. Wainwright & Co.

BARTOLD, HENRY S.
Eastman, Dillon & Co.

BARTON, D. FREDERICK
Eastman, Dillon & Co.

BARYSH, MAX
Ernst & Co.

BARYSH, MURRAY L.
Ernst & Co.

BASTIAN, WILLARD
Geyer & Co., Inc.

BEAN, JULES
Luckhurst & Co., Inc.

BECKER, EDWARD I.
Reynolds & Co.

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Grady, Berwald & Co.

BESWICK, SAMUEL F.
Laird, Bissell & Meeds

BEZER, CHARLES A.
Sutro Bros. & Co.

BILLINGS, JOSEPH H.

BIRD, HENRY
Mercer Hicks Corp.

BIRD, JAMES F.
Gude, Winmill & Co.

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Birnbaum & Co.

BLAIR, FRANK H.
Allen & Company

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Hunter & Co.

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Paine, Webber, Jackson & Curtis

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Tweedy, Browne & Reilly

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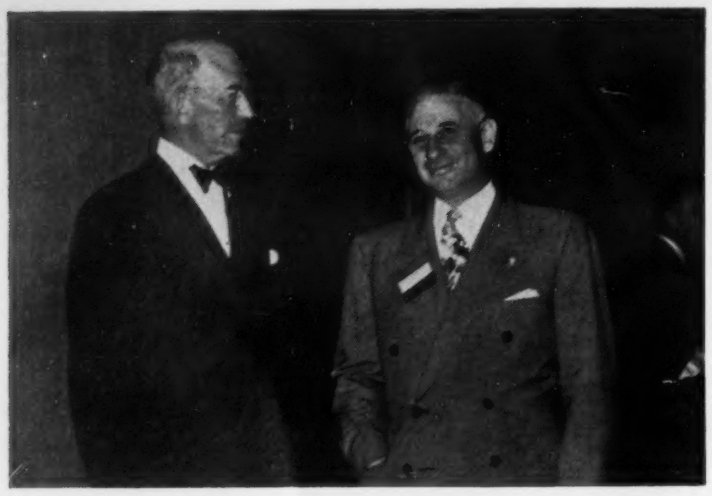
BURCHARD, GERARD L.
Goodbody & Co.

BURIAN, ARTHUR
Daniel F. Rice and Company

BURKE, HAROLD J.
Auchincloss, Parker & Redpatn

(Continued on page 34)



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Security Traders Association of New York

(Continued from page 33)

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Blair & Co., Inc.

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GERSTEN, HENRY B.
Gersten & Frenkel

GERSTEN, IRVING
Gersten & Frenkel

GERTLER, JOHN H.
Barr Bros. & Co.

GEYER, GEORGE
Geyer & Co., Inc.

GHEGAN, A. KINGSTON
Edwin L. Tatro Co.

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Laird, Bissell & Meeds

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GISH, CARL K.
Boettcher and Company

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Greene and Company

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Glore, Forgan & Co.
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Paine, Webber, Jackson & Curtis
GUTTAG, IRWIN
Richard K. Kaufmann, Alsberg & Co.
GUTTMAN, RUDOLPH
White, Weld & Co.
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c/o Hirsch & Co.
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Ira Haupt & Co.
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Georgeson & Co.
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White, Weld & Co.
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D'Assern & Co.
HUNT, GEORGE V.
Starkweather & Co.
HUNTER, WELLINGTON
Hunter & Co.
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Cohu & Co.
HYDE, J. J. HINDON
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Sellwood & Stonehill
ITTLEMAN, IRVING
JACKSON, BERNARD
A. G. Becker & Co. Incorporated
JACOBS, EDWIN
Stanley Pelz & Co.

JACOBS, SIDNEY
Sidney Jacobs Co.
JACOBUS, ROYDEN E.
Vilas & Hickey
JANARELI, JOSEPH
Joseph Janarell & Co.
JANN, CHARLES H.
Estabrook & Co.
JOHNSON, STANLEY J.
Battles & Company, Inc.
JOHNSON, WALTER R.
G. A. Saxton & Co., Inc.
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Joyce, Kuehner & Co.
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Junger, Anderson & Co.
KADELL, ALLAN
E. H. Rollins & Sons Incorporated
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Charles A. Kahl & Co.
KAISER, CHARLES M.
Grady, Berwald & Co., Inc.
KALES, DAVIS
Wood, Gundy & Co., Inc.
KANE, GERALD F.
Frank C. Moore & Co.
KANE, THOMAS FRANCIS
Ernst & Co.
KANE, WALTER
Cowen & Co.
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Carl M. Loeb, Rhoades & Co.
KELLY, JAMES FRANCIS
Kidder, Peabody & Co.
KELLY, JOSEPH M.
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KELLY, ROBERT J. J.
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KENNEDY, WALTER V.
Coffin & Burr, Incorporated
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Kenney & Powell
KILMER, HUGH
Hardy & Co.
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KING, CHARLES
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KIRTLAND, GEORGE W.
E. H. Rollins & Sons Incorporated
KLEIN, CHARLES E.
Stanley Heller & Co.
KLEIN, LEROY
Lebenthal & Co.
KNAPP, REGINALD J.
KNOX, HERBERT D.
H. D. Knox & Co., Inc.
KOERNER, IRVING
Allen & Company
KOLLER, Jr., FRANK H.
Dreyfus & Co.
KRANZ, GEORGE
Kaiser & Co.
KRASOWICH, JOSEPH D.
c/o Bonner & Gregory
KRISAM, WILBUR
Geyer & Co., Inc.
KRUGE, WALTER C.
James D. Cleland Company
KRUMHOLZ, NATHAN A.
Siegel & Co.
KUEHNER, HANNS E.
Joyce, Kuehner & Co.
KUIPERS, HENRY G.
Louis H. Whitehead Co.
KULLMAN, Jr., PHILIP C.
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Dunne & Co.
KUX, LACY
Sutro Bros. & Co.
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Eastman, Dillon & Co.
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Edward S. Ladin Company
LALLY, ELMER
Hayden, Stone & Co.
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Green, Ellis & Anderson
LANGDON, PHILLIP C.
Weeden & Co., Inc.

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LAX, HERBERT
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Lebenthal & Co.
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The Dominion Securities Corporation
MACKESSY, T. FRANK
Abbott, Proctor & Paine

MACKIE, ROBERT A.
Luckhurst & Co., Inc.

(Continued on page 36)

Ladies Division of the Old Timers Bathing Contest—(Most suits courtesy of Jantzen Knitting Mill, Portland, Ore.): Mrs. Ora M. Ferguson, *Merrill Lynch, Pierce, Fenner & Beane,* Louisville, Ky., was pronounced the winner, with Miss Peggy Mosley, daughter of Vic Mosley of Philadelphia, the runner up

Security Traders Association of New York

(Continued from page 35)

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MEYER, MILTON S. Shufro, Rose & Co.
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MEYERS, WILLIAM T. Reed, Lear & Co.
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MOORE, MELVILLE L. Finch, Wilson & Co.
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MURPHY, WALTER J. Merrill Lynch, Pierce, Fenner & Beane
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NIELSEN, SOREN D. New York Hanseatic Corp.
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OETJEN, HENRY McGinnis, Bampton & Company
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OHLANDT, Jr., JOHN D. J. Arthur Warner & Co. Incorporated
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O'KANE, Jr., JOHN J. John J. O'Kane, Jr. & Co.
O'MARA, JOHN J. Goodbody & Co.
OPITZ, FRED W. Roberts & Co.
ORLANDO, FRANK J. Goodbody & Co.
OSBORNE, C. MILTON C. M. Osborne & Co.
OWENS, JOSEPH E.
OXLEY, A. E. C. The Dominion Securities Corporation
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PAVIS, FRANK A. Chas. E. Quincey & Co.
PEET, EDWIN F. F. B. Ashplant & Co.
PEISER, HARRY J. Ira Haupt & Co.
PELZ, STANLEY Stanley Pelz & Co.
PERLMAN, MURREY S. K. Cahen & Co.
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PINKUS, MILTON Troster, Currie & Summers
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POWELL, VINCENT ALOYSIUS R. W. Pressprich & Co.
PRELLER, ARTHUR G. Junger, Anderson & Co.

Men's division at the Old Timers Bathing Contest

Judges at the Old Timers Bathing Contest: Graham Walker, *National Quotation Bureau, Inc.*, New York City; Wm. Perry Brown, *Newman, Brown & Co.*, New Orleans, La., "Supreme Judge"; Rollie Morton, *The Blue List Publishing Co.*, N. Y. C.

PRELLER, CHARLES F.
Eastman, Dillon & Co.
PRELLER, FRED W.
Eastman, Dillon & Co.
PRELLER, JOHN G.
McGinnis, Bampton & Company
PYLE, RAYMOND WILLIAM
Schoellkopf, Hutton & Pomeroy, Inc.
RANDOLPH, PEYTON A.
Randolph & Agnew, Greenwich, Conn.
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(Continued on page 38)

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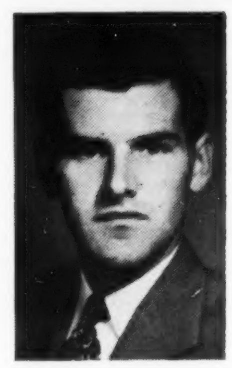

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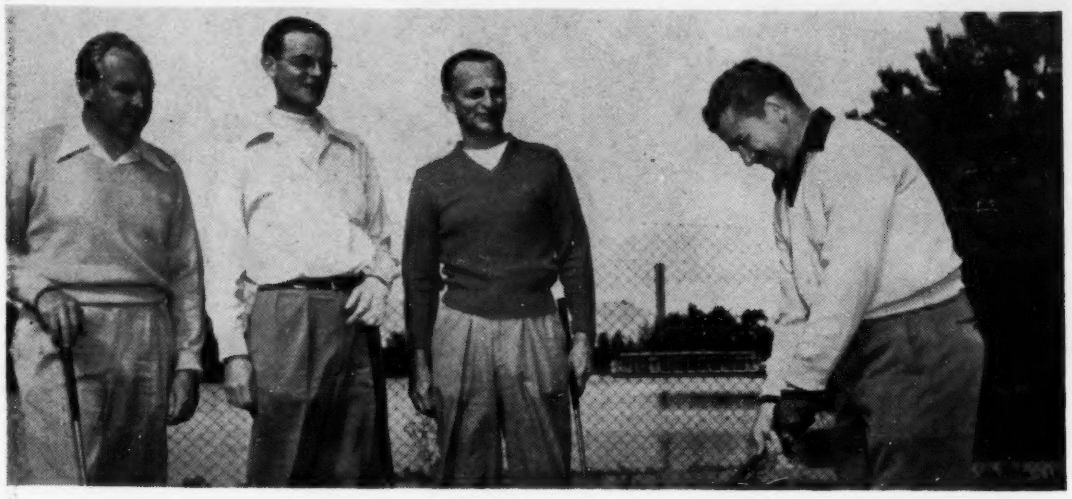

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W. E. Hutton & Co.
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Carl K. Ross & Co., Inc., Portland, Maine
RYALL, EUGENE J.
C. J. Devine & Co., Inc.
RYAN, JOHN
Goodbody & Co.

(Continued on page 40)

Harry Gawne, *Merrill, Turben & Co.*, Cleveland; Mrs. and Mr. Lloyd W. Shepler, *Merrill Lynch, Pierce, Fenner & Beane*, Cincinnati, Ohio

Mrs. and Mr. Anton E. Homsey, *du Pont, Homsey & Co.*, Boston, Mass.; Mrs. and Mr. John M. Hudson, *Thayer, Baker & Co.*, Philadelphia

Sam Colwell, *W. E. Hutton & Co.*, New York City; John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.*, New York City

Boston Securities Traders Association

(Continued from page 39)

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W. E. Hutton & Co.

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Smith, Barney & Co.

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Taylor & Co., Inc.

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F. J. Wright & Company

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Brown Brothers Harriman & Co.

YOUNG, R. T.
The Keystone Company of Boston

Photos by Broadmoor

Photographs at Colorado Springs during the National Security Traders Association Convention were taken by Bob McIntyre, staff photographer for the Broadmoor Hotel.

Winners in Golf at Traders Convention

Winners in the various sports events at the National Security Traders Association Convention at Colorado Springs were as follows:

National Quotation Bureau Cup for golf, won by the New York team, consisting of Stanley Roggenburg, Roggenburg & Co.; Roald Morton, Blue List Publishing Co.; Lawrence Wren, Allen & Co., and Gus Levy, Goldman, Sachs & Co.

The Blue List Cup for municipal trader was won by Winton Jackson, The First Southwest Co.

Golf tourney for teams was won by Josef Phillips, Pacific Northwest Co., Seattle, and Robert W. Thornburgh, W. C. Thornburgh Co., Cincinnati, with a score of 170, handicap 24, net 146.

Second place was won by Gilbert Hattier, Jr., White, Hattier & Sanford, New Orleans, and Charles Scheuer, Scheuer & Co., Chicago, with a score of 185, handicap 38, for net of 147.

Third place was won by Stanley Roggenburg, Roggenberg & Co., New York City, and B. Winthrop Pizzini, B. W. Pizzini & Co., New York City, score 188, handicap 40, net 148.

A three-way tie for fourth and fifth place, with net scores of 151, was made by Herman Tornga, De Young - Tornga & Co., Grand Rapids, Mich., and Donald L. Patterson, Boettcher & Co., Denver; Winton Jackson, First Southwest Co., Dallas, and Edward Caughlin, Edward J. Caughlin & Co., Philadelphia, and Morton A. Cayne, Cayne & Co., Cleveland, and Clarence Horn, First of Michigan Corp., Detroit.

Low gross was made by James Cockburn, Crowell Weedon & Co., Los Angeles.

Vienna Dreams

Winners in a waltz contest held at the Convention of the National Security Traders Association, for a prize of $25 contributed by Sam Green of Pledger & Co., Inc., Los Angeles, and Anton E. Homsey, du Pont, Homsey & Co., Boston, were Mr. and Mrs. Robert Torpie of Merrill Lynch, Pierce, Fenner & Beane, New York City. Close seconds were Mr. and Mrs. Henry Oetjen of McGinnis, Bampton & Co., also of New York.

Investment Traders Association Of Philadelphia


N. H. Parkes, Jr.


A. H. Fenstermacher


J. B. McFarland, III


William J. McCullen


E. C. Williamson

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Second Vice-President: James B. McFarland III, *H. M. Byllesby & Co.*
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Alternates: Edward J. Caughlin, *Edward J. Caughlin & Co.*; Edmund J. Davis, *Rambo, Close & Kerner*; John M. Hudson, *Thayer, Baker & Co.*; Samuel K. Phillips, Jr., *S. K. Phillips & Co.*; Elwood S. Robinson, *Aspden, Robinson & Co.*
Elected: September 16, 1949; Took Office: October 1, 1949; Term Expires: October 1, 1950.

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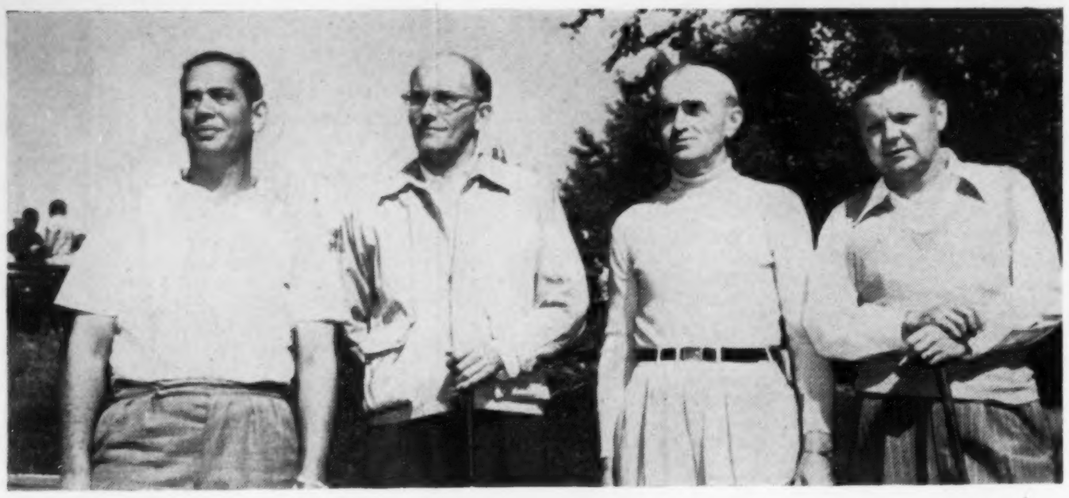
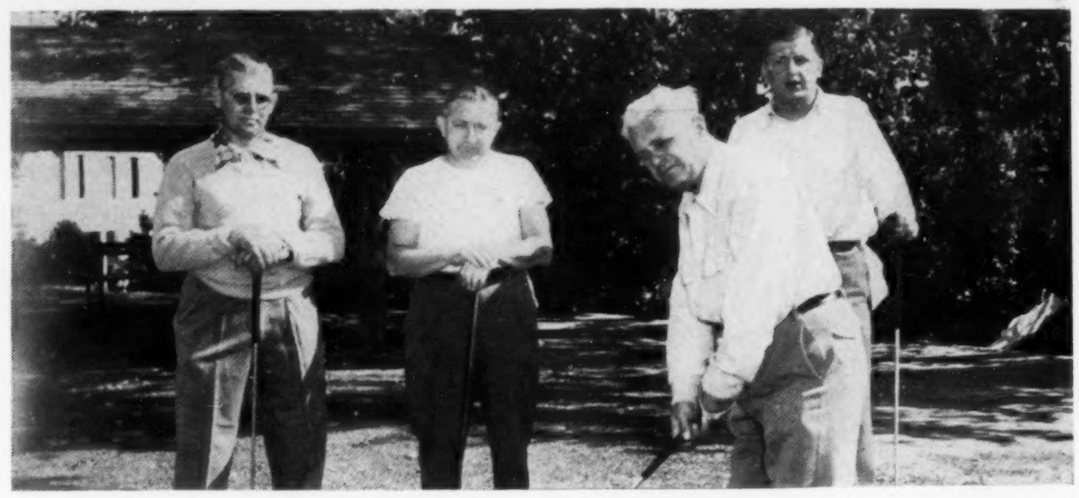
CRAM, JAMES Wurts, Dulles & Co.
CUMMINGS, JOSEPH Brooke & Co.
CUNNINGHAM, HAROLD B. Kennedy & Co.

(Continued on page 42)



Gus Levy, *Goldman, Sachs & Co.*, New York City; Ed Parsons, *Wm. J. Mericka & Co.*, Cleveland, Ohio; Jay L. Quigley, *Quigley & Co., Inc.*, Cleveland, Ohio; Clarence J. Maender, *G. H. Walker & Co.*, St. Louis, Mo.



Gilbert Hattier, *White, Hattier & Sanford*, New Orleans, La.; Charles Scheuer, *Scheuer & Co.*, Chicago; Andy Tackus, *Putnam & Co.*, Hartford, Conn. (teeing off); Shel Parker, *Kay, Richards & Co.*, Pittsburgh, Pa.

Investment Traders Association Of Philadelphia

(Continued from page 41)

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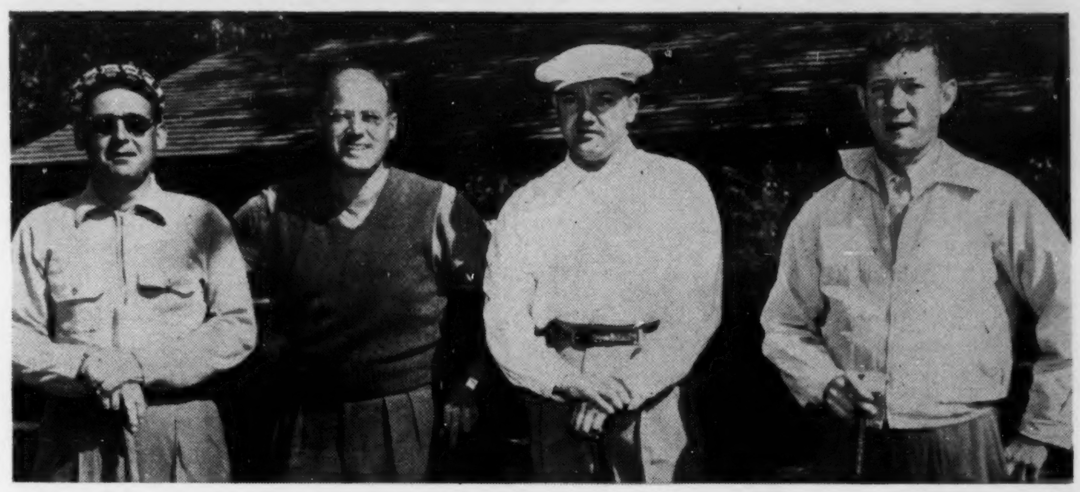

Bob Thornburgh, *W. C. Thornburgh Co.*, Cincinnati, Ohio; Joe Phillips, *Pacific Northwest Company*, Seattle, Wash.; Robert L. Mitton, *Robert L. Mitton Investments*, Denver; Harry Gawne, *Merrill, Turben & Co.*, Cleveland, Ohio

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SCHULER, RUSSELL C.
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SHAW, CHARLES P.
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SMITH, JOSEPH E.
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SNYDER, HARRY B.
Yarnall & Co.
STREET, PHILLIPS B.
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Hecker & Co.
YEATMAN, Jr., POPE
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YOUNG, C. HOWLE
W. L. Morgan & Co.
ZELLER, JOSEPH A.
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ZERRINGER, WALTER K.
c/o Philadelphia Stock Exchange
ZUBER, ETHAN G.
Suplee, Yeatman & Company, Inc.

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Earl Hagensieker

Edward Senturia

Kenneth Kerr

David S. Matthew

Edward Oldendorph

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Elected: October 20, 1949; Took Office: October 20, 1949.

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Waldheim, Platt & Co.
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Newhard, Cook & Co.
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Fusz-Schmelzle & Co.
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Edward D. Jones & Co.
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DOWDALL, Jr., WM. F.
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Mississippi Valley Trust Company
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Fusz-Schmelzle & Co.
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(Continued on page 44)

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(Continued from page 43)

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Fusz-Schmelzle & Co.

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U. S. Treasury Dept.

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Mark C. Steinberg & Co.

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Newhard, Cook & Co.

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Merrill Lynch, Pierce, Fenner & Beane

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Goldman, Sachs & Co.

WHITE, JULIAN
White & Company

WHITE, Jr., JULIAN
White & Company

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Elected: December 15, 1948; Took Office: January 1, 1949; Term Expires: January 1, 1950.

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BROWN, JACK P.
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Carothers & Co. Inc.
CAROTHERS, EARLE T.
Carothers & Co. Inc.
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Merrill Lynch, Pierce, Fenner & Beane
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Central Investment Company of Texas
DAVIS, JAMES W.
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Central Investment Company of Texas
DeSHONG, HAROLD E.
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ELLIS, JOE W.
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EPPLER, WILLIAM B.
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Otis & Co.
FERRIS, JOHN D.
Ferris & Company
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HICKMAN, J. WESLEY
Schneider, Bernet & Hickman
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R. S. Hudson & Co., Inc.
HUDSON, ROBERT S.
R. S. Hudson & Co., Inc.

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JACKSON, WINTON A.
First Southwest Company
JACQUES, JAMES F.
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LYNCH, WILLIAM F.
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MAYES, HARLAND
Rauscher, Pierce & Co.

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McCONNELL, HARRY N.
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McCULLEY, C. RADER
First Southwest Company
McCULLOCH, BARRON
Ft. Worth, Texas

(Continued on page 46)

Mrs. and Mr. R. W. Thornburgh, *The W. C. Thornburgh Co.*, Cincinnati; Jerry Ryan, *Peters, Writer & Christensen, Inc.*, Denver; Claire Oetjen, New York City; Henry Oetjen, *McGinnis, Bampton & Co.*, New York City

Mr. and Mrs. John F. McLaughlin, *McLaughlin, Reuss & Co.*, New York City, who celebrated their thirteenth wedding anniversary Oct. 3; Mrs. and Mr. Harry L. Arnold, *Paine, Webber, Jackson & Curtis*, New York City

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(Continued from page 45)

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Rauscher, Pierce & Co.
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Moss, Moore & Company
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R. A. Underwood & Co., Inc.
UNDERWOOD, Jr., ROBERT A.
R. A. Underwood & Co., Inc.
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WAGGENER, NELSON
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WAGGENER, WILLIAM
Walker, Austin & Waggener
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Walker, Austin & Waggener
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Elected: February 7, 1949.

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George D. B. Bonbright & Co.
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Grabau-Buchman
GRAVES, J. LLOYD
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HAGEMAN, ALVIN G.
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HEATON, CHARLES T.
William N. Pope, Inc.
JOHNSON, ORLIE D.
George D. B. Bonbright & Co.
LAPHAM, BEVERLEY H.
Shields & Co.
LAPHAM, Jr., WILLIAM G.
Carl M. Loeb, Rhoades & Co.
LeVEILLIE, G. N.

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Cohu & Co.

McGURK, ROBERT T.
Stone & Webster Securities Corp.

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E. R. Mulcock & Co.

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William N. Pope, Inc.

ROBERTS, JAMES

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K. B. Rollins & Co.

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Clarence A. Goodelle

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Blair F. Claybaugh & Co.

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SMITH, LEO V.

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E. W. Snyder and Co.

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Merchants National Bank

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Syracuse Trust Co.

TICKNER, RULAND L.
Foster & Adams

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Elected: November 6, 1948; Took Office: November 6, 1948; Term Expires: November 12, 1949.

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(Continued on page 48)

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(Continued from page 47)

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Elected: January, 1949; Took Office: January, 1949; Term Expires: December 31, 1949.

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W. D. Gradison & Co.
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Harrison & Company
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A. Lepper & Co.
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MEYER, ROBERT R.
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Middendorf & Co.
MIDDENDORF, WM. B.
Middendorf & Co.
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STAIB, LEE R.
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(Continued on page 50)

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(Continued from page 49)

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Elected: October, 1949; Took Office: October, 1949; Term Expires: October, 1950.

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R. S. Dickson & Co., Inc., Charlotte N. C.
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Jackson & Smith, Gastonia, N. C.
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WALL, JOHN T.
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Elected: October, 1949; Took Office: October, 1949; Term expires: October, 1950.

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DANE, HAROLD
John Dane

DANE, JOHN

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DERBES, CLAUDE
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HATTIER, Jr., GILBERT
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Newman, Brown & Co., Inc.

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Barrow, Leary & Co., Shreveport

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LOUQUE, WM. N.
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Steiner, Rouse & Co.

MORSE, RICHARD C.
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Kohlmeyer & Co.

NEWMAN, MORRIS W.
Newman, Brown & Co., Inc.

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Nusloch, Baudean & Smith

OGDEN, FRED N.

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Howard, Labouisse, Friedrichs & Co

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White, Hattier & Sanford

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Schweickhardt, Landry & Co.

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WEIL, ROSWELL J.
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WILLIAMS, B. FRANK
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WOOLFOLK, ROBERT M.
Woolfolk & Shober

ZOLLINGER, Jr., JOHN J.
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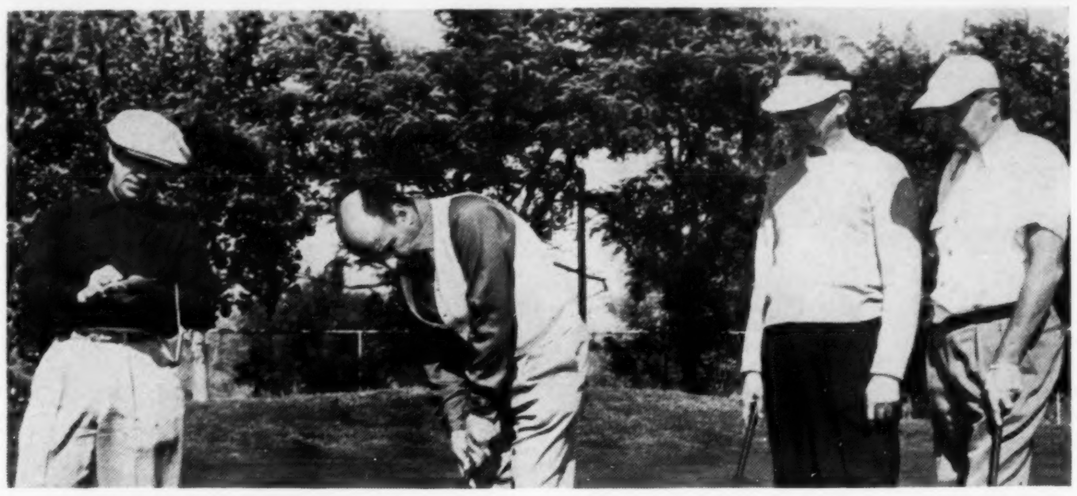

Ted Henderson, *T. C. Henderson & Co.*, Des Moines, Iowa; Jerry Ryan, *Peters, Writer & Christensen*, Denver (putting); A. A. Harmet, *A. A. Harmet & Co.*, Chicago F. E. Maguire, *Stroud & Co., Inc.*, Philadelphia

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Homer J. Bateman

Waldemar L. Stein

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Treasurer: Waldemar L. Stein, *Bramhall & Stein.*
National Committeeman: Sidney J. Sanders, *Foster & Marshall.*
Alternate: Josef C. Phillips, *Pacific Northwest Company.*
Elected: January 28, 1949; Took Office: January 28, 1949; Term Expires: January 27, 1950.

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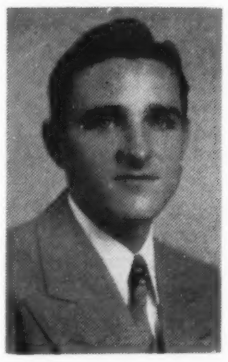
WATERMAN, JOSLYN H.
Earl F. Waterman & Co.

Nashville Security Traders Assocation

Buford G. Wilson

Thomas H. Temple



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Elected: October, 1948; Took Office: January 1, 1949; Term Expires: December 31, 1949.

ROSTER OF MEMBERS

ALSOBROOK, BRANTLEY D.
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ANDERSON, Jr., WILLIAM J.
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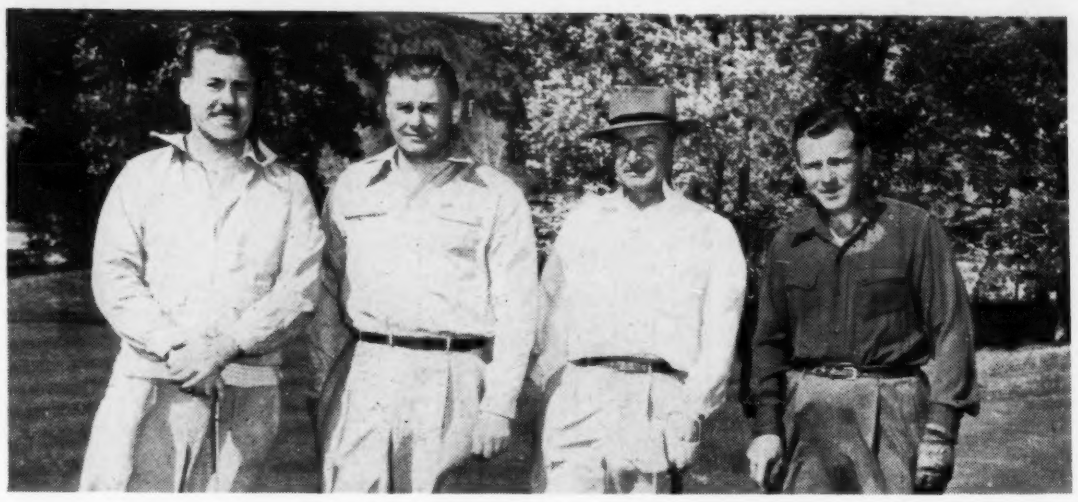
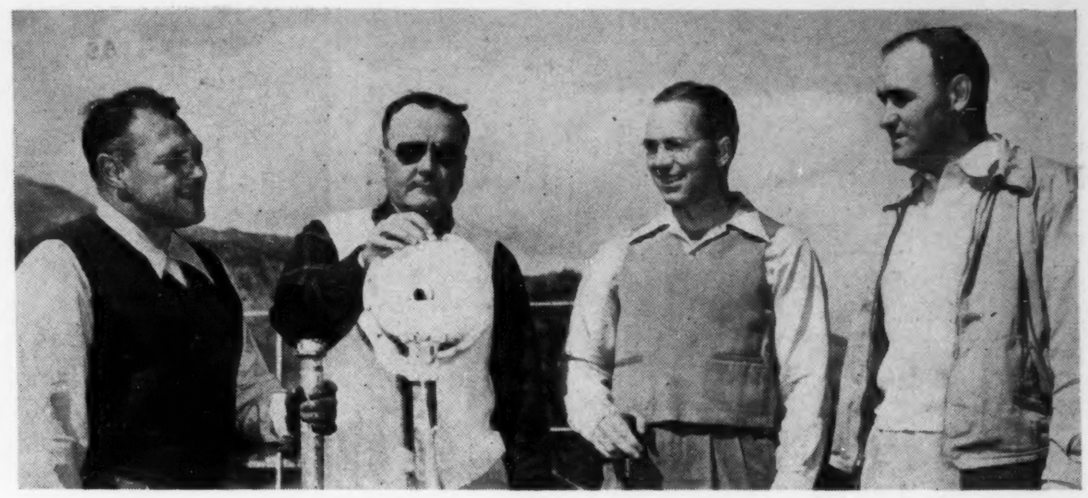


Edward J. Caughlin, *Edward J. Caughlin & Co.*, Philadelphia; Neil De Young, *DeYoung-Tornga & Co.*, Grand Rapids, Mich.; Bill Snowden, *Peters, Writer & Christensen, Inc.*, Denver, Colo.; Winton Jackson, *First Southwest Company*, Dallas, Tex.



Jim Cockburn, *Crowell, Weedon & Co.*, Los Angeles; Tom Graham, *Bankers Bond Co., Inc.*, Louisville, Ky.; Paul I. Moreland, *Moreland & Co.*, Detroit, Mich.; Rollie Morton, *Blue List Publishing Co.*, New York City

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Equitable Securities Corporation
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Alfred D. Sharp & Company
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WILEY, JAMES K.
Wiley Bros., Inc.
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WORKE, Jr., ROBERT H.
Cumberland Securities Corporation

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Alternate: Claude T. Crockett, *Moroney, Beissner & Co.*
Elected: December 1, 1948; Took Office: January 1, 1949; Term Expires: December 31, 1949.

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Mr. and Mrs. Harold B. Smith, *Pershing & Co.,* New York City (Harold's a second Sousa)

Mr. and Mrs. Edwin L. Beck, *Commercial & Financial Chronicle,* New York City

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Arthur H. Rand, Jr.

Donald N. Anderson

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Vice-President: Arthur H. Rand, Jr., *Woodard-Elwood & Co.,* Minneapolis.
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Secretary: Donald N. Anderson, *First National Bank of St. Paul.*
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Elected: October, 1949; Took Office: October, 1949; Term Expires: October, 1950.

ROSTER OF MEMBERS

(Members located in Minneapolis unless otherwise indicated)

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Merrill Lynch, Pierce, Fenner & Beane

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Harris, Upham & Co.

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E. J. Prescott & Co.

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Woodard-Elwood & Co.

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Irving J. Rice & Company, Inc., St. Paul

RICE, ROBERT M.
R. M. Rice & Co.

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Jamieson & Co.

ROWND, CHESTER M.
Paine, Webber, Jackson & Curtis

RUDD, COLDEVIN C.
Piper, Jaffray & Hopwood

RUE, MAYNARD W.
J. M. Dain & Company

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Jamieson & Co.

SIVERSON, LLOYD
Kalman & Company, Inc., St. Paul

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Allison-Williams Company

SPACE, WALTER P.
Woodard-Elwood & Co.

STARN, HARRY W.
Kalman & Company, Inc., St. Paul

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Paine, Webber, Jackson & Curtis

STEICHEN, ROMAN J.
R. J. Steichen & Co., Inc.

STILLMAN, GEORGE H.
H. M. Byllesby and Company, Incorporated

TALBOT, O. JACK
Northwestern National Bank of Minneapolis

TARRAS, A. C.
A. C. Tarras & Co., Winona

WITTENBERG, WILBER W.
Blyth & Co., Inc.

WICHMAN, EDWARD W.
M. H. Bishop & Co.

Bowling Tourney Won By Detroit Team

A bowling tournament at the Broadmoor Hotel during the NSTA Convention was won by the Detroit Team with a gross score of 2,441.

Members of the winning team were Paul I. Moreland, Moreland & Co.; Don Miller, Titus-Miller & Co.; Herman Tornga and Neil DeYoung, of De Young-Tornga & Co., Grand Rapids, and Frank Meyer, First of Michigan Corporation.

Members of the other teams competing were:

Chicago: Lawrence Marr, E. H. Rollins & Sons, Inc.; George R. Torrey, Kebbon, McCormick & Co.; Arthur C. Sacco, Detmer & Co.; Leonard Wolf, A. G. Becker & Co., and Charles Scheuer, Scheuer & Co.

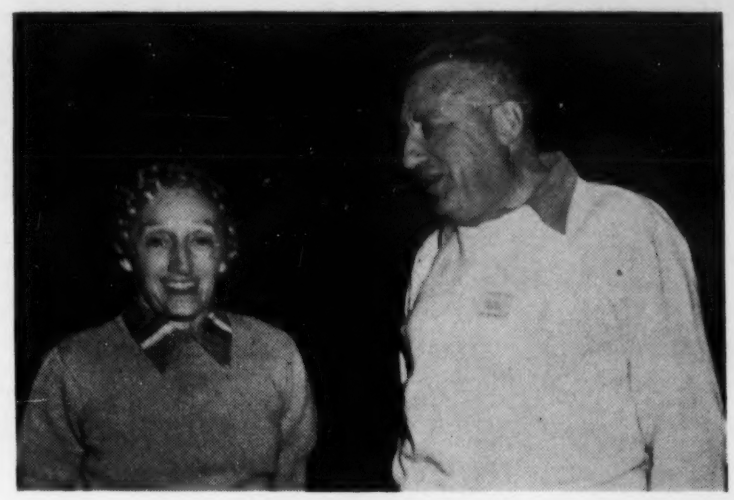
St. Louis: John W. Bunn, Stifel, Nicolaus & Co., Inc.; Edward H. Morfeld, Morfeld, Moss & Hartnett; Charles W. Hahn, Scherck, Richter Company; Robert A. Pauli, Scherck, Richter Company; Earl Hagensieker, Reinholdt & Gardner.

Boston: Frank T. Harrington, H. D. Knox & Co., Inc.; Joseph Gannon, May & Gannon; William S. Thompson, Ralph F. Carr & Co., Inc.; Anton E. Homsey, du Pont, Homsey Company.

Cleveland: Morton A. Cayne, Cayne & Co.; James Russell, Gottron-Russell & Co., and Jay L. Quigley, Quigley & Co., Inc.

Mr. and Mrs. Walter G. Mason, *Scott, Horner & Mason,* Lynchburg, Va.; Miss Carolyn Gail Mason

Mr. and Mrs. Edward J. Caughlin, *Edward J. Caughlin & Co.,* Philadelphia



Mrs. and Mr. Robert A. Bligh, *Fahnestock & Co.,* Torrington, Conn.

Gold and World Recovery

(Continued from page 7)

each other," and that "gold was a relic of the dark ages." A major error in the Bretton Woods Plan was the freezing of the world's paper currencies at their inflated wartime levels, or at the nominal values set by the signatory nations. These values were fictitious then; and the fiction is glaringly apparent now, when inflation increases while world needs grow and production stalls. The failure of the Bretton Woods Plan to solve our difficulties has been completely demonstrated, as witnessed the last 30 days by wholesale monetary devaluations. The Bretton Woods Plan should be abandoned or drastically revised to fit the actual realistic worldwide conditions.

(2) A free market in gold should be promptly established in the United States. Identical bills were introduced in both Houses of Congress during this session to do this, giving the gold miner the right to sell his gold at $35 per ounce; to take it to a better market if he could find one; to keep the gold in its natural or refined form; to do anything else with it that his mood or interest might suggest. This right was always enjoyed in this country from the date of its founding until 1933. The charge has been made that these bills were introduced by gold mining interests and that we had a case of the "gold mine interests versus the people of the United States." This is not true. The free gold issue transcends the interest of the so-called gold mining bloc, the vested interests of planners, or of any other selfish group. The right to own gold—the correlative right to pass judgment on our own currency and credit conduct of our government—are all essential parts of that freedom for which we have fought wars and which by constitutional right belong to the American people.

(3) After a free market for gold has been established, and the true value of gold determined by the natural laws of demand and supply, and not by politicians managing our money, our currency should be made freely and completely convertible. The holders of paper money should have the right to convert to gold, and the holder of gold the right to convert to paper. Direct coinage and circulation of gold within the United States would entail no difficulties. The American citizen still has faith in his currency, though he also needs a restoration of faith in the prospect of the government never again depriving him of his choice between paper money and gold. The dollar today is in fact a world currency. It is indeed the only one. The International Bank and Fund are dollar institutions. Once the dollar becomes hard currency in the fullsense of the word, the international gold standard is re-established whether other countries like it or not.

(4) After the restoration of a free market for gold, the determination by the natural laws of demand and supply of the dollar value of gold, and the restoration of full and complete redemption and convertibility, the currencies of the rest of the world could be tied to gold on the actual dollar value basis, and a start made to bring about freedom of trade and commerce between all the world's nations. Halting the issuance of unlimited quantities of printing press paper money and unlimited quantities of credit would eventually stay the ever-increasing spiral of inflation which threatens to engulf us all. Nations would again have a common exchange denominator, gold, by which they could determine the exchange value of their goods and services in comparison with those of other nations. An orderly flow of commerce and trade could be resumed, and with it the chance to end misunderstanding, chaos and the threat of war. Will our governmental leaders accept this challenge to straighten up the world, or will they continue to stumble along, following political expediency? The responsibility is squarely in the hands of our national leaders. The people of the United States have the right to expect them to do what is best for our nation and not what will get votes and reelections.

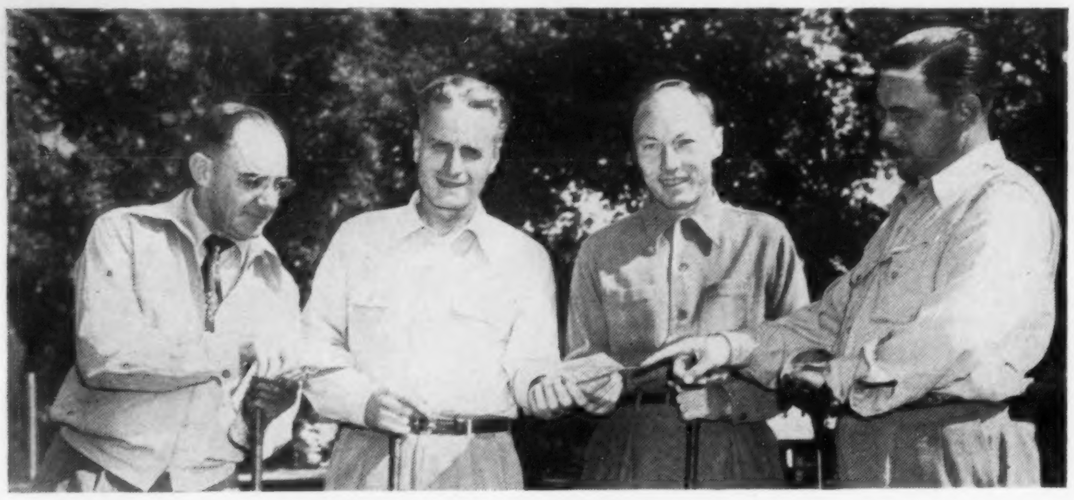
What About the Price of Gold?

What of the price of gold? The wave of currency devaluations, set off by England slashing the pound value, has intensified the question as to what will happen to price of gold now fixed by the United States Treasury at $35 per ounce.

History has a way of repeating itself. One fundamental must always be kept in mind. Debt accumulates faster than wealth and to offset this debt outstanding currency is from time to time devalued by increasing the price of gold. Through history the price of gold has consistently increased. It is interesting to record a study of the London gold price from the period 1250 to 1940 A. D. Starting with the year 1250, the price of gold per ounce was 17 shillings ($3.90). This was gradually raised following the Black Death Plague in 1349. It was increased again during the reign of King Edward IV when he debased the currency by clipping off the edges of coins to secure funds to carry on the War of Roses. It was increased again by Henry VIII to offset the expense of his luxurious courts. The price increased steadily until the Napoleonic Wars, when it was raised again to reduce the war debt. It decreased somewhat after the wars, was then stabilized at $20.63 per ounce for many years and was raised to $35 per ounce in 1934, where it has remained to date.

After practically every great war, currency devaluation has been necessary to write off a part of the loss of real values by fire, looting, property destruction, use of munitions, etc. Ancient kings devalued their currency by clipping bits from silver coins, while maintaining face value by decree. Modern nations have followed the same course by issuing paper printing press money, and if history means anything, the price of gold will sometime in the future again be raised. Gold has not been priced upward to keep pace with other commodities and services. To compensate for our present 60c dollar, its price should be increased in value proportionately.

Raising the price of gold to $55 per ounce would give the United States a profit on the $24,600,000,000 gold we now own, valued at $35 per ounce, of $14 billion, and the other nations who own $9 billion, a profit of $5 billion of dollars. Politicians usually do what is politically expedient, and the possibility of a windfall of $14 billion will be most tempting, particularly when this vast sum can be realized without increasing taxes or taking steps distasteful to the electorate.



Ralph S. Young, Colorado Springs, Colo.; W. G. Simpson, *H. M. Byllesby & Co., Inc.*, Pittsburgh, Pa.; Harold F. Scattergood, *Boenning & Co.*, Philadelphia; Lee Wolf, *A. G. Becker & Co.*, Chicago

Donald B. Stephens, *Paul H. Davis & Co.*, Chicago; Herman Tornga, *DeYoung-Tornga & Co.*, Grand Rapids, Mich.; Don Patterson, *Boettcher & Co.*, Denver; Ronnie Coutts, *A. C. Allyn & Co.*, Chicago

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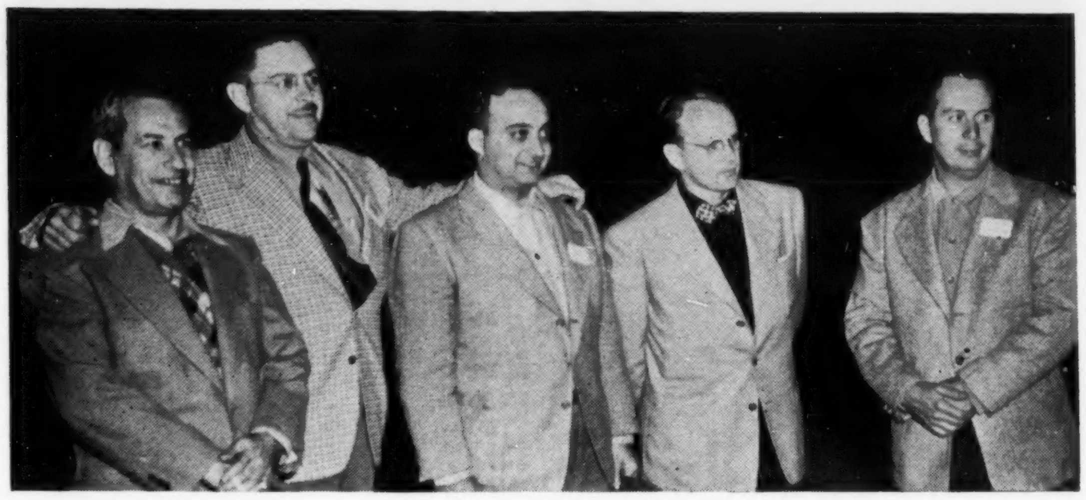

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Elected: December, 1948; Took Office: January 1, 1949; Term Expires: December 31, 1949.

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(Continued on page 58)

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(Continued from page 57)

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Europe on the Sales Counter

(Continued from page 11)

office of Sir Stafford Cripps, published in January, 1948. Its content has been repeated time and again by Sir Stafford and his spokesmen. It says that devaluation is not desirable; actually, it would be disastrous, and gives three reasons for that, reasons which apply today as well as at the time when his announcement was made on the eve of the last French devaluation. (Did I say the last? I meant the one before the last one.) The British Government went out of its way (the pound was under pressure at the time) to make it clear to the French that it would not do them any good to devaluate, arguments which afterwards were applied to the pound itself as late as Aug. 31, 1949. And 18 days later the pound went downhill, as you know.

The chief argument remains as valid now as it was then. What happens to costs in Britain, and to prices? Two elements enter the picture: raw materials and labor. Both raise extremely difficult questions from the point of view of devaluation policy. Some raw materials which we import may not be affected at all. Most of them, like non-ferrous metals, silver, wool, quinine, natural rubber, lumber and pulp, etc., may decline in dollar terms, but scarcely as much as 10%. But they are all, or most all, bound to rise in terms of pounds sterling. The British have to pay more pounds for the same quantity of metal, and we will pay less dollars. Some American industries will profit thereby, to say nothing about the American consumer, and our competitive position vs. Britain will be actually strengthened.

The raw materials of the Empire constitute its largest dollar-earning assets. Every sign indicates that major price reductions along those lines would not do Sir Stafford any good. The American demand for tin, as an example, depends on the price to a very moderate extent only. If we have a boom, we buy tin, and never mind the price; in a depression we buy tin, cheap as it may be.

The cost of many basic raw materials constitutes only a small fraction of the price of the finished products. Differentials in the material price, such as ¼ or even ⅓, often do not affect the demand to any appreciable extent. But such raw materials happen to be a mainstay of the sterling area's balance of trade, accounting for more than two-thirds of its dollar exports. That is another reason why the pound will not gain, even temporarily, much strength from devaluation. Indeed, the major reason for the decay of the British balance of trade in the second quarter of this year and since, is the downturn in American business activity. With or without devaluation, the world depends on our boom, its exports to this country having become absolutely vital to its own prosperity.

Effect of Devaluation on Gold Production

There is one raw material in the British Empire that will profit from the devaluation, to the benefit of the sterling area's dollar reserve. It is the one commodity that has a fixed price in the United States. I mean gold, of course. Gold producers in South Africa, Canada, and Australia will not receive more dollars, but the rise in the pound sterling price of gold will stimulate production, and it is estimated than an additional $200 millon worth of yellow metal will be forthcoming. In all likelihood, most of it will find its way into Fort Knox, with some of it flowing into private hoards at higher than our official price.

But let us face the problem of British domestic prices. Inasmuch as at least partially the devaluation affects the British price structure, due to the increased demand for British goods from abroad, a great strain will develop on the British economy. To be effective, devaluation must create an impulse for more production. That is what happened back in 1931-32. When Washington officials speak of a stimulus to British production and exports created by the present maneuver, I am afraid they think in terms of 1931, not of 1949

In 1931, when Britain was deep in the throes of unemployment, it was a different story. But presently, any major additional demand means a uselss pressure on the domestic economy of Britain. Suppose her automobile industry would get many orders from this side. Just where would they get the workers to produce more cars?

British Unemployment Almost Nil

There are at present 240,000 unemployed in Britain out of a total population of roughly 50,-000,000. That is no unemployment to speak of. To get more workers, the British entrepreneur has to draw on the supply already employed. One plant has to hire the workers away from another plant. Of course, one might in-

Mr. and Mrs. Ralph C. Deppe, *Edward D. Jones & Co.*, St. Louis, Mo.; John W. Bunn, *Stifel, Nicolaus & Co., Inc.*, St. Louis, Mo.; Clarence J. Maender, *G. H. Walker & Co.*, St. Louis; Winton Jackson, *First Southwest Company*, Dallas, Tex.

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crease production by intensifying the work and by lengthening the working hours, or by putting in new machinery. The latter would take some time, and could be very costly in view of the fact that the incentive is a temporary one. How could one go into a capital expansion if one does not know whether there will be a market left by the time the expansion has been completed? As to more intensifed production and longer working hours, well, I have not heard any such concrete proposal for Britain, other than vague admonishments—nor for this country, for that matter.

British production cannot expand in the short run, and at the risk of boring you, I must repeat that Britain cannot deliver the goods in large additional quantities. Nothing to break the world markets can occur under such circumstances. That is the curse of their famous Full Employment: when they really need full employment and have a chance to accomplish it at economic advantage, they are stymied—because they have it already.

That brings me to the basic question—the wage level. When I was in England last June, the country was boiling with labor troubles. Many railroads were running Sundays according to century-old rules, which meant that they were not running at all. Coal miners, the engineering industry which includes ship building, the cotton trade, and a few others were asking for higher wages. That was at a time when there was no question of devaluation, of rising living costs, although a slight rise occurred on account of the very modest reduction of the food subsidies in the last budget.

Again, the difference against 1931 should be remembered. In 1931, British labor was happy to find jobs. They were out of employment for years, and any relief from the unemployment doles was a real relief. The workers' bargaining power was at an all-time low. They were ready to accept lower real incomes, if that was the condition to get on the payrolls. Nothing of the kind prevails at present. Now, full employment provides labor with an excellent bargaining position. This position will be further enhanced through the devaluation, since more demand for labor is likely to arise. Why, then, should labor forego the chance of increasing its wages, to say nothing about accepting a cut in its real income? That raises a basic problem of all socialist economy: how to substitute new motives for the old-fashioned, allegedly out-ruled motive of self-interest.

But seemingly labor thinks, even in Britain, in a somewhat antiquated fashion, in terms of getting the most for itself. And it succeeds the better, since it is stronger organized than ever, and has a political power as never before. The remarkable thing is—very remarkable and very little appreciated—how long and how much a Labor government manages under such circumstances to keep wages rising only a little at a time. It does so, not just by exhortation and the classical austerity example of Sir Stafford Cripps, but largely with the aid of promises for the future. It is not like the Russian future, which is two or three generations away. The promises imply that in a short while everything will flow freely, or approximately so; at any rate, things will become supposedly very much better by 1952 or so. But these promises wear out and the unrest is growing. Nor is the moral factor present that was effective in 1931. At that time, the British were shocked to the depths of their souls by the pound devaluation. It really meant something of a blow to them that the pound sterling had lost nearly 40% of its gold content. That was a radically novel departure in British history. It made people rally to a common effort, to accept the deflation of the budget and the 6% bank rate.

Devaluation, a Technique of Money Management

Now, under Keynesian economics, devaluation has come to figure as one of the common technical devices of money management. It is being applied whenever it suits the managerial plans. It has come to be a technicality

(Continued on page 60)

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Europe on the Sales Counter

(Continued from page 59)

pure and simple, with no regard paid to its long-run implications. In 1931, national pride was affected. Little or nothing of that kind seems to affect the mind or heart of present-day British socialists. Consequently, there is no morale-boosting appeal to the people present as there was in 1931, no appeal for sacrifice, for rallying to work more and accept more sacrifice. The public mind of Britain has become apathetic under the dulling influence of 20 years af a managed economy that lives on bureaucratic red tape and petty restrictionism.

British wages are bound to rise, because the cost of living will rise, and that will boost export prices. That will end whatever advantage British exports may have gained by the devaluation. There is just no possible doubt about that. The question is only: how much and how fast, a question that touches on the fundamentals of British politics. It may suffice to say that the bread price in England has been hiked immediately, and that the Labor government indicated its acquiescence in "some" wage hikes. But let me turn to another equally important but far less considered aspect of the problem.

On my last European trip, in May, I visited an old friend, the Governor of a Central Bank on the Continent. He predicted an early devaluation of the pound with absolute certainty. I tried to argue, saying that Sir Stafford is against devaluation, because domestic prices would be boosted. The answer was that prices have risen already in England. You know you cannot argue long with a central bank president; you just have to take his word. But I mentioned that in 1931 what saved Britain was the fact that the French capitalists who had run out of the pound, turned pronto on their heels and brought back their gold to London. They had run out before devaluation, in fear of its coming. Once it had occurred, all they could expect was that the pound would be revalued again. Incidentally, in 1931 the pound was still one of the world's best currencies nationally as well as internationally, which it is not any longer. The answer was, with that superiority which is characteristic of Central Bank presidents—that is a race in itself; somebody ought to write a study about that—"I know the bankers; I live with them. The moment Britain devalues, they will take their gold and put it into pounds sterling." Well, I shall wait for that. I would like to see a Frenchman who takes out his gold or dollar hoard and puts it in pounds sterling, although Sir Stafford made a nice little hint in his address Sunday night which surely gold hoarders would not have missed, saying that if the devaluation turns out to have gone too far, he can correct that. Of course, the short sellers of pounds must cover; they would be foolish if they did not. Mind you, they have sold the pound around \$3.90 or \$3.80, at the cheapest.

I have seen in Paris, in London, in Brussels, in New York and even in Chicago, vast quantities of pound sterling futures sold down the river during this last Summer. Hundreds of millions of dollars must have been turned over by speculators who had the wisdom to be better judges of Sir Stafford Cripps' serenity than I, for one, was.

Now, they have to turn around and to cover, which means a tremendous demand for pounds. Theoretically, the pound should go above the new par. That it does not, shows that either some people still expect further devaluation, or that too many pounds are floating around. Anyhow, nothing of the kind happens as in 1931, and I believe that I am not wrong in predicting that there will be no large-scale flow of capital into Britain. This latest maneuver will not save the pound, even if British exports should sky-rocket for a while. The improvement in the balance of trade will not last. What is needed is a restoration of confidence that would permit capitalists, British and foreign, to invest in productive enterprises within the Empire. The new devaluation, bringing the pound down to one-fifth of its historic gold value, and the mockery made again of the financial trusteeship which a civilized government should hold, preclude the possibility of restoring confidence in Britain's will or ability to respect private property and contractual rights.

Other Devaluating Countries

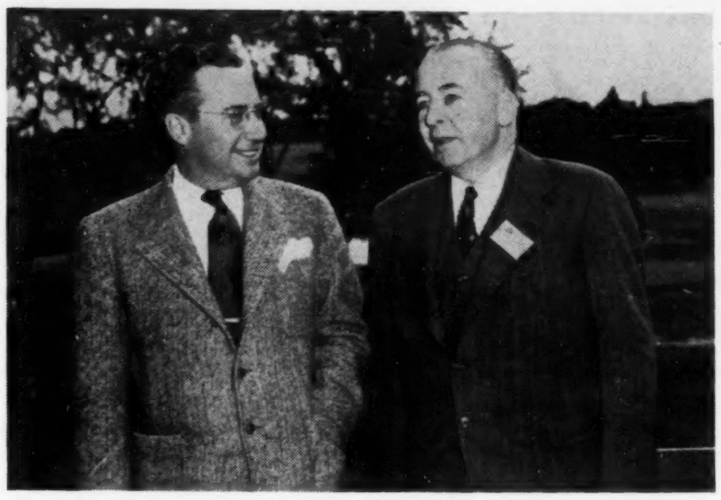
The outlook is no different for most of the other devaluing countries. The French franc has been reduced by a few percentage points only—from about 330 to 350 to the dollar—and the Queille cabinet, that hoped to balance a budget unbalanced for 20-odd years, solemnly announced its determination to hold the new line. Next morning quotations on the free gold and exchange markets of Paris jumped. The dollar went up to 390 or so.

Belgium was the leader in the attack on the British pound, demanding its devaluation. Incidentally, I am informed by a most reliable source that the Belgian central bank president is virtually the American representative for international finance, with Mr. Harriman, our roving ambassador, not much more than a connecting link. The Belgian is the man who really roves us around. He was the most ardent advocate of devaluation as the cure for Britain's illness. He has put it over Harriman, according to my source, who has persuaded Hoffman; Hoffman talked to Snyder, Snyder persuaded Acheson and Acheson convinced Truman.

Be that as it may, there is little doubt that we have forced the hand of Sir Stafford Cripps by threatening implicitly that further aid may be withheld unless he devalues. Belgium, Italy and France threatened him openly with monetary warfare. His reluctance is understandable, indeed. (Some of his well-informed economists went so far as to claim that the pound ought to be revalued—upward!) He realized that while British exports may go up, the country's bill for imports will rise more, and the deficit in the balance of trade will be enhanced. Everything Britain buys from the dollar sphere will cost 44% more than it did before. And Britain buys much more from than she sells to, the dollar world. The volume of her imports cannot be greatly compressed; it is reduced already, by physical controls, to or near a level that cannot be impaired if full employment should be maintained. Also, he must have been aware of the prospect of a competitive, world-wide devaluation race, and of the consequent turmoil in international trade, leaving aside the domestic conflicts which were bound to follow.

The devaluation of the Finnish mark a few weeks earlier offered an object lesson of what was to follow, if such a lesson was needed. Strikes crippled that gallant little country, as the result of devaluation. The strike wave was blamed on the communists who, of course, did their best (or their worst) to fan it. But why did the noncommunist Finnish workers obey the communist command, and why right after the devaluation?

But coming back to where we



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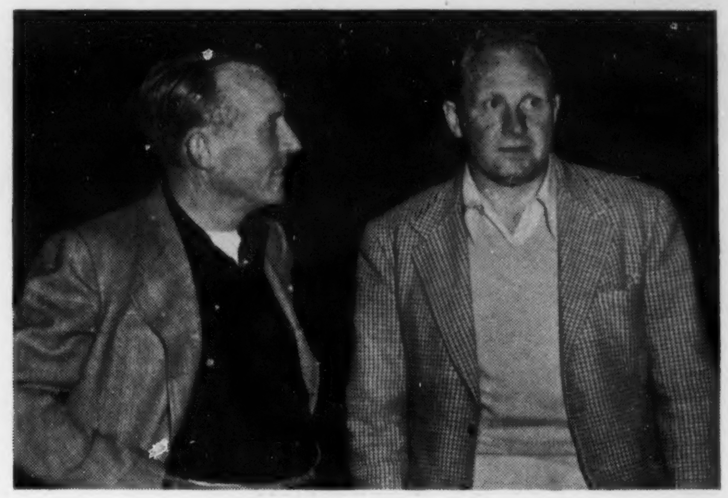

John C. Hecht, *Dempsey-Tegeler & Co.*, Los Angeles; John F. Egan, *First California Co.*, San Francisco

left off: Why were the Belgians, Italians and French so anxious that the British competitive position should be improved? To be sure, they did not expect much of a pound devaluation. The French finance minister's furious reaction—in public—is characteristic. Apparently he expected, as most people did, a $3.60 par for the pound. That was the general expectation. Very few people guessed $3.20. I do not know anyone who would have foreseen that the pound would be reduced to the actual black market rate, which was the open market rate in Zurich. (As you know, now-a-days, any market that is open is black.)

I would not be surprised if Sir Stafford, who is a very superior person, might have said to himself, "You have asked for it," meaning the Continentals.

At any rate, the new pound rate puts them in a quandary. The Belgians did not mean to go off par; and the French were satisfied with having depreciated the franc from the equivalent of 20 American gold cents to one-third of one paper cent in the course of some 30-odd years. That was sufficient for them, and they did not plan on slipping another 6%, at which they may not be able to stop. The Italians, whose lira is down to one-half or so of the French franc, feel the same way and are equally furious at Sir Stafford for having created a new monetary jungle.

But just why did the Continentals play with fire and insist on amputating the pound? They had two reasons.

The first reason was a very peculiar one. Britain has become a debtor to Belgium, France, and even to Italy. It is something to be a debtor to Italy now-a-days, to just about the poorest country of its size in Western Europe. By the end of August, Britain owed the Italians some $200,000,000, which is like our owing Panama $10,000,000, and not paying it. Here is how this new international indebtedness, that has nothing to do with the famous $14 billion wartime balances in Britain, came about.

It came about by way of the famous, or infamous, bilateral commercial agreements. Britain would sell certain things to, and buy others from Italy. But while the British bought Italian goods, the Italians would not buy British goods. The latter were too expensive—most British export articles are 20 to 25% above the world market level.

Now then, as to the Italian case; the Italian businessmen have the right to draw on the available pounds sterling, provided they buy something. But little could be sold in Italy that came from Britain. So these bilateral agreements led to the accumulation, in effect, of frozen balances in London. The Latin countries, in particular, were very anxious to get them moving. They expected rightly that pound devaluation would make British goods cheaper for a while—for long enough to accomplish the purpose.

I forgot to mention before that much of the decline of British prices will merely make up for the difference between the British and American levels, for the 20 or 25% difference which prevailed before the devaluation. It merely would put the British on a competitive basis, even without cutting the dollar prices appreciably.

The second and far more important reason of the Europeans, for which they insisted on pound devaluation, will not be achieved. They expected that pound devaluation would be accompanied by relaxing on the multitude of bureaucratic barriers, regulations and restrictions which surround the British Isles. Also, that this liberalization of trade policy, together with the restoring of realistic foreign exchange rates, would reopen the channels of international capital flow. That, especially, had been most emphatically predicted by my friend, the European central banker, to whom I have referred before. But nothing of the kind is in prospect of materializing. It cannot be, because it would mean the end of socialism if they liberalize trade; without ending socialism they cannot even hope for private capital to invade Britain.

Effect on American Economy

What will all this mean to the American economy? The immediate impact will be, of course, loss in export markets, increased imports, and a deflationary pressure on domestic prices. What matters, however, is the somewhat longer run effect, such as over a period of a year. We are exporting commodities at the rate of about $1.1 billion a month. About $600 million of this is given away free of charge, and you can be assured that we will not lose customers for things for which they do not have to pay. That leaves roughly $500 million of monthly exports exposed to enhanced competition. Suppose that we lose 20% of that, which is just about what the price cuts in British goods—but by no means in all foreign competitive goods—might amount to. That would mean a billion, or let us say $1½ billion lost in foreign trade, little more than ½ of 1% of our annual national output. Of course, a cut of 20% in the competitors' prices may mean more than 20% decline in the volume of our sales. But on the other hand, you have to remember that inasmuch as the devaluing countries sell more in this country, and earn more dollars, they will buy more American goods, too. If Britain earns more U. S. dollars, she is likely to buy more Argentinean foods, hides, linseed, etc., to be paid in dollars, and the Argentineans will turn around at once and buy American products. In other words, it is most unlikely that we would lose $1½ billion in the next 12 months' export trade, and I suspect that we will not lose that much.

As to the import side of the equation, most of our imports consist of raw materials, the cheapening of which will be highly beneficial not only to the American consumer, but also to the majority of American producers. Of our monthly imports of, say $500 million, scarcely $200 million worth could be raised in such a fashion as to mean competitive disadvantage to American producers. But suppose they are raised by 30%: how much trouble would it mean to the national economy if we import an additional $100 or even $200 million worth of articles a month which displace the equivalent amount of domestic output?

In short, the impact of the devaluation over a year or so, even if the foreign countries maintain their present cost and price levels, would be too small to mean more than a nuisance to this country as a whole. Some special industries might rightly worry, but even they will not have to do so for much longer than a year. Given the fact that import prices in the devaluing countries rise substantially more than the export premium derived from the devaluation (44% vs. 30% in Britain) their own domestic costs and prices must increase sooner or later, sooner rather than later, and the devaluation will have exausted its effect—unless another wave is to follow.

Fallacy of Our International Financial Planning

That brings me to the crux of the whole problem—to the long-run consequences. This crisis of the pound sterling which is climaxed in the drastic cut of its dollar value, has demonstrated the fallacy of our international financial planning. Some $35 billion or so will be spent before the end of the current fiscal year on international boondoggling and on managed spending on a global scale. The result is that the situation of the supported countries is growing more critical from year to year, even before the funds to finance them are exhausted. Obviously, they will be facing catastrophe when the Marshall Plan comes to the end of its rope. What if the devaluation does not help, as it most certainly will not?

We have forced Sir Stafford into devaluation, and he in turn forced devaluation or more exchange restrictions and import controls on the rest of the world. We are responsible for the failure that will ensue, just as we have been made responsible for the failure of the Anglo-American loan in which we have demanded pound convertibility (that has been sabotaged by the British). That was followed by the Marshall Plan, and presently by the devaluation. The British will be in an excellent position to ask us to do something new, since the method which we have forced down their throats will have turned out to be a fiasco. Their moral position in demanding more aid will be excellent, and it is understandable that Sir Stafford, the sourest looking statesman west of Molotov, returned to London with an unprecedented big smile on his face.

Actually, the British have asked for more dollars, not for devaluation. If not otherwise, the dollars were to come from devaluing—the dollar. But that could not possibly have been presented to Congress at this juncture. When, six or nine months hence, Britain will be in a fresh crisis, the Administration can go to Congress and point out that our British friends have done everything they could do. They tried austerity (at highest real incomes of their working population in all history), they have raised their production 50% above the prewar level (producing many things which no one buys), and raised their exports some 30% above the

(Continued on page 62)

Phil Clark, *Amos Sudler & Co.*, Denver, Colo., runner-up in tennis, and Joe Masek, *Charles A. Fuller & Co.*, Minneapolis, the winner with a score of 6-2, 7-5 and 6-3

Mr. and Mrs. John F. McLaughlin, *McLaughlin, Reuss & Co.*, New York City; Phillip J. Clark, *Amos Sudler & Co.*, Denver, Colo.; Mrs. and Mr. Harry L. Arnold, *Paine, Webber, Jackson & Curtis*, New York City; at the Denver Railroad station

Earl L. Combest, *Prugh, Combest & Land*, Kansas City, Mo.; Bro Collins, *Founders Mutual Depositor Corp.*, Denver; Chas. J. Rice, *Brereton, Riçe & Co.*, Denver

Europe on the Sales Counter: Palyi

(Continued from page 61)

prewar normal (selling the excess to the sterling area that does not pay). On top of all that, they made the supreme "sacrifice" of committing hara-kiri on their own currency. It will be easy to sell Congress, given its average level of wisdom and integrity, on the idea that poor little Britain has to be helped from here on, and no strings attached. In the place of the Christmas bonuses, so to speak, that we gave them so far, we will have to start on a new policy: we shall put her on the regular payroll.

In other words, the long-run outcome of this process is likely to be that the dollar will have to support the pound at the new rate. Which means that sooner or later the dollar itself will have to be devalued.

But I would like to close by pointing out one thing that seems to me to be essential. We are being sold more and more, if we have not been sold already, on the idea that the world suffers from some sort of fundamental disequilibrium called the dollar shortage. Britain, in particular, through no fault of her own, is supposed to be a victim of this contagious anemic disease for which the official and semi-official doctors know no other cure than the transfusion of more dollar plasma. It is my conviction that Britain is not subject to any such ailment of a basic or fundamental nature. As a matter of fact, she is a very healthy country. All her apparent sickness is superficial. It is caused by an over-dose of sleeping pills called dollars, rather than by dollar shortage. At any rate, it could be cured very quickly—and by a single election.

The election is on hand, and if I am not very much mistaken—I had sworn last November not to forecast elections any more—it will come within three or four months. That is, or seems to be, the last chance for Labor to win it. And to win it by a heroic measure may have been the prime purpose of the devaluation—the prime purpose of the Truman Administration as well, who may have to say farewell to their little Welfare State if the big one over there should go on the rocks.

What Can Traders Do In a Rights Offering?

(Continued from page 6)

ket for the stock, and since they had what appeared to be a readily salable commodity, they attempted to dispense with most of the cost of an underwriting. They proposed to adopt the rights purchasing feature of the Shields operation, but not to use any standby. Instead, brokers or dealers would be paid a commission for placing the stock. This commission could be earned by persuading an existing stockholder to subscribe, or by the purchase of rights for the dealer's own account, plus a sale of the stock obtained by conversion of such rights. In this way they would only pay a fee on the shares actually placed. Our staff objected to the plan in that form because it would encourage dealers to bid against each other in the purchase of rights and would undoubtedly result in a substantial run-up of the price in violation of the anti-manipulative provisions of the statute. After some hours of discussion a compromise plan was agreed on. This has become known as the "Columbia Gas plan."

Columbia Gas Plan

The Columbia Gas plan permits participating dealers — a group which may be as large as to include every registered dealer in the country—to sell the security being distributed and acquire rights to cover those sales. The safeguard against excessive buying of rights is provided by requiring that the purchase of rights can be made only after the short sale of the stock at a price fixed by the manager. Participating dealers may not buy rights if they are not short of stock. Of course they may not trade in the stock.

Under the plan, dealers agree to make all sales at the figure announced by the managers, which predetermined price is to hold good for twenty-four hours. This price is usually the last sale price on the previous evening, if the security is listed on an exchange. If the security is not listed, the price is either the low or average offering price of the previous evening.

Since there is no underwriting of unsubscribed shares in a dealer participation plan, some disposition has to be made of the remaining stock which is not taken up. A new custom is for stockholders to be given the privilege of oversubscribing, in addition to their allotment. This reduces the likelihood of there being unsubscribed shares. Any shares which remain are generally made the object of a separate underwriting. If the number is small, they may be disposed of in the open market. However, in the first New York State Electric & Gas offering, only about 90% of the issue was allocated for subscription and there was no oversubscription privilege. The remaining 10% was made the subject of a distribution by the participating dealers concurrently with the rights offering. Of course, dealers were paid an extra commission for selling these shares.

As I stated a moment ago, the two basic types of rights offerings which I have described to you have been modified, changed and elaborated in subsequent cases. The Columbia Gas plan was so successful in enlisting dealer aid in getting existing stockholders to exercise rights that this participating dealer feature was incorporated into the Shields plan. Today many standby underwritings provide for dealer participation and compensate those dealers whose names appear on the exercise warrant. That is what took place in the Colorado Central Power Company offering. The recent West Penn Electric offering was also of that type, although it combined a very interesting exchange offer to preferred stockholders.

The basic Columbia Gas plan has also been expanded. You may have noticed that under the original plan the manager did not buy rights. This restriction was modified in the New York State Electric & Gas distribution and in the second Columbia Gas offering to enable the manager to purchase rights in the open market. Dealers can then acquire stock from the manager for sale by them away from the market, as in the Shields plan. As these offerings are now set up, the following dis-

Mrs. and Mr. James F. FitzGerald, *W. L. Canady & Co.*, New York City; Mrs. Emily Wilson, owner of the "Glory Hole," Central City, Colo; Mr. & Mrs. William G. Laemmel, *Chemical Bank & Trust Co.*, New York City

Mr. and Mrs. Ken Kennedy, *Bosworth, Sullivan & Co.*, Denver; Chuck Fisher, *National Quotation Bureau, Inc.*, Chicago, Ill.; Fred Rahn, *The Illinois Company of Chicago;* George Torrey, *Kebbon, McCormick & Co.*, Chicago

tributions take place simultaneously:

First, dealers are engaged in soliciting the exercise of warrants by stockholders;

Second, dealers sell stock short and cover by buying rights in the open market;

Third, the manager buys rights in anticipation of expected ability to sell stock, and dealers acquire stock from him for distribution.

The New York State Electric & Gas operation introduced one additional feature which, so far as I know, has been used again only in the Rochester Gas offering last month. You will recall that involved there was a distribution by General Public Utilities to its shareholders, pursuant to a Section 11 (e) plan, of the stock of one of the subsidiaries. A large amount of money had to be raised through the warrants—some \$34,000,000—so that the exercise price had to be fairly close to the full value of the stock. Moreover, since none of the stock was outstanding, it was extremely difficult to place a value on the stock.

Because of these factors, it was felt that the rights at first might have little or no value and that small stockholders would be inclined to let their rights run out. The registrant, therefore, during the first twelve days of the offering, undertook to buy all rights offered it by stockholders at the prevailing market price, or at a minimum price of 5c each. This service had a double purpose. It encouraged the small holder to sell his few rights by making it extremely easy for him to do so. It also provided the manager with a supply of rights and securities with which to begin the operation, and tended to protect against over-commitment. As you know, the New York State distribution was very successful and the rights before the end of the period were worth several times five cents.

A further variation appeared in the Bangor Hydro Electric offering of preferred and common stock. Participating dealers there received a fee for soliciting subscriptions but they were not entitled to purchase rights themselves. The manager made purchases of rights as in the Shields plan and laid off stock through the dealers. There was no underwriting commitment.

I don't suppose we have seen the end of this evolution. New variants will undoubtedly appear as the basic theories are adapted to individual company and market situations. The Commission thus far has not called a halt to experimentation. But our duty under the statute is to examine each proposal and to eliminate anything which might violate the statutory restrictions.

What Can or Cannot Be Done

Let us now consider some of the things which can and cannot be done in these distributions in the light of the anti-manipulative provisions of the statute.

A firm may execute at any time unsolicited brokerage orders to buy or sell the security being offered, and the rights. The important word here is "unsolicited." Extreme care must be taken not to create activity. We have had one or two instances lately where at critical junctures in the bidding process, the market price was affected by a printed transaction involving a customer of one of the houses engaged in the bidding or negotiations. Such transactions are most unfortunate. Like Caesar's wife, it is important to so conduct the business as to be above suspicion.

Stabilization transactions are permitted under all of the plans, with this very important restriction: Under the participating dealer or Columbia Gas type of plan all dealer activity, save the solicitation of subscriptions, must be suspended during the period of stabilization. This is because the manager's supporting bid would cause other members of the group, who were attempting to purchase the rights to cover their sales of new stock, to make numerous raises in the price and thus undoubtedly be engaged in activities prohibited by the anti-manipulative sections of the Securities Exchange Act.

Let me say a word here about stabilization. It is a word which is frequently misunderstood. The law prohibits injection of artificial activity into the market. One exception is stabilization—which is a legal form of manipulation. But it is permissible only when it is used to prevent or retard a decline. No moving around of the market under the label of a stabilizing operation is permitted. Stabilization means maintenance of a price independently reached in the market.

A manager purchasing rights under the Shields plan must be careful not to create a rising market or create activity that gives the appearance of strength to a stationary market. He may not enter the market for rights until purchases by others have established the price at a free level. In the over-the-counter market, it is generally proper to enter orders on the bid side. If the rights are traded on an exchange, orders should not be entered in excess of the higher of the last sale price or the bid price, except that if the current offering price is below the last sale price, orders may not be entered in excess of the bid price.

Further, purchases should not be in such quantity that they will dry up offerings at that level, for then any other buyer attempting to buy rights will be forced to set a higher price and the underwriting may be deemed to have raised the price indirectly. Inasmuch as rights are being bought only to reduce risk, any purchases of rights in excess of the underwriter's intention and ability to lay off stock may well be an unnecessary creation of activity, and therefore manipulative. Similarly, sales of rights (except to fill orders which are in fact unsolicited) may indicate excessive buying and carry the same implication. There is, however, no prohibition under the Shields plan against going short more shares of stock than are covered by the rights being bought.

Shields plan purchases of rights differ from stabilizing purchases of a security in that it is almost never proper to raise a stabilizing bid. However, if in fact your purpose under the Shields plan is only to cut the risk of underwriting, it may well be perfectly proper to raise your bid for rights. This may be done, though, only if the independent market for the rights has moved above your bid. Even so, the Commission feels that no bid should be raised until twenty-four hours have elapsed from the time of your last purchase at the old price.

Some Illustrations and Pitfalls

This sounds very technical, as indeed it is. Perhaps a few examples will illustrate what I have been saying and point up some of the pitfalls.

Stabilization can be a hazardous activity if not carefully supervised. In the latter part of 1945 one of the steel companies made a rights offering with a standby underwriting. In order to insure the success of the offering, the underwriters placed a stabilizing bid on the New York Curb Exchange where the stock was traded. The underwriters did not have to make any stabilization purchases throughout the subscription period, and when the rights ran out at 2 p.m. on the last day, they were informed that the unsubscribed portion amounted to only 148 shares. It was decided to sell this amount the following day. Not having purchased any stock in stabilizing during the rights period, they felt secure in leaving their bid on the Curb until the close of that session. However, much to their consternation and dismay, a few minutes before

(Continued on page 64)

Thomas Graham, *The Bankers Bond* Co., Louisville, Ky.; Mrs. Wood Hannah; Mrs. Thomas Graham; Wood Hannah, *Bankers Bond* Co., Louisville, Ky.

Ernest E. Stone, *Stone, Moore & Co.*, Denver, Colo.; Eunice Stone; Mrs. and Mr. Irving P. Grace, *W. C. Pitfield & Co.*, New York City

What Can Traders Do In a Rights Offering?

(Continued from page 63)

three o'clock they were suddenly hit with 4,700 shares of stock. Thus we had the unusual phenomenon of an underwriter purchasing 4,700 shares to facilitate an offering of 148 shares.

In one of the earliest offerings under the Shields plan involving a security in which there was no existing market, the managing underwriters received orders during the subscription period for about 10,000 shares from institutional buyers. They bid a price which they left the underwriters to determine as a fair price for the stock. The underwriters filled the order at a price about four dollars above the subscription price, going short to do so. This sale price was equivalent to a much higher price for the rights than the rights were then selling for. Consequently, the underwriters felt they might bid up to parity in covering their short position. This activity was largely instrumental in raising the price of the rights from 2c to 16c. Inasmuch as the whole matter had been undertaken on an experimental basis, the Commission took no action other tnan to caution the underwriters, although it was of the opinion that the transactions which raised the price of the warrants were manipulative transactions. Of course, this particular underwriter has been careful ever since to avoid transactions of a similar nature.

I have tried, in these few minutes, to cover a very complicated and very difficult field in finance. I have not been able to explore all the ramifications nor blueprint for you precisely what you can and what you cannot do in each and every situation which may come up. That would be an impossible task, even if we had the time, for many cases must be decided on the particular facts as they present themselves in a given context.

My purpose this evening has been to give you a picture of what takes place in rights offerings so that you may better understand the reasons for the Commission's rulings in individual cases. I think the staff of the Commission has a real appreciation of the problems you encounter in these rights offerings; and I am happy to say that those in the industry with whom I have come in contact have, in turn, displayed an understanding and acceptance of the statutory standards which Congress has set up.

The development and application of the Shields plan and the Columbia Gas plan and the other variants which I have described reveal in a significant way the adaptability and flexibility which I have always felt the investment industry to possess. Prudent regulation has permitted the industry to change its methods with changing conditions. The result has been that the primary function of the investment industry—which is to supply American industry with the capital it needs — is being achieved.

The Business and Market Outlook

(Continued from page 10)

in our domestic markets of either the output of these workers or offsetting imports.

War Threats

This brings us to two additional potential threats to the stock market by early 1950. One is the possible revival of war threats in Europe by next Spring, if not sooner. We know of no way of telling if serious trouble is likely to break out in the Berlin area, in the Balkans, or somewhere else, but it seems to us that there is much more reason for fearing trouble next year than there was during the period of politically inspired scares just before the 1948 Presidential election. Without any claim to being experts on foreign affairs, we cannot help but be impressed by the lessened degree of assurance on the part of foreign correspondents as to the avoidance of at least a localized "shooting" war during the coming Spring or Summer. To be sure, the present background threats may be diminished by next Spring, but at the moment, we think that the dangers lie in too great a degree of complacency.

Tax Threats

A related danger to our stock market is that of possible Administration efforts to increase taxes next year. This may well be done in the name of "defense." Last Spring, President Truman withdrew his demand that Congress raise taxes on both corporations and individuals in the higher tax brackets only after it became very obvious that such a move might accelerate the decline in business which was underway at that time (and which, as pointed out previously, Washington economists felt would continue at least until the end of the year). This was by no means the first time that the trend of the stock market was downward until either the threat of unfavorable tax action had been removed, or a new tax bill had been passed.

It might be well to review, at this point, some of the more widely publicized reasons which were behind the prevailing opinion, during periods in both 1947 and 1948 when the Dow-Jones Industrial Average was in the 160-170 range, that the October, 1946 low of 160.49 would be penetrated substantially before the rise was resumed. In our opinion, the most telling argument was the indisputable fact that our tax laws have not only greatly diminished the flow of funds into the hands of individuals who were in the best position to assume risks, but have also reduced the incentives to take risks. Anyone who is in the 70% to 80% tax bracket is inclined to think twice about investing in equities, except from an inflation-protection and/or capital gains point of view. As a group, the top-bracket earners have very little new money to invest each year. At the same time, liquidation of large estates is throwing progressively more stock on the market. The mutual investment trusts are doing an excellent job in getting individuals in the lower brackets to place part of their funds in equities, but it it doubtful whethey they can absorb all of the selling which we believe is in prospect on any rise to within 5% to 10% of the 1946 highs. This situation tends to lower both the "support points" and potential highs for common stocks, and goes a long way toward accounting for the low price-earnings ratios at which stocks have been selling during the past few years.

Specific Bearish Arguments

Other bearish arguments of the past three years, which are still valid, include lack of confidence in the Administration, the long-term trend toward Socialism, and the realization that a high level of government spending cannot help but reduce the standard of living over a period of years. For a while, in 1948, there was reason for believing that the American public was going to demand a change, but, of course, this hope died on Nov. 2. (This in itself made us lower our previous cyclical price objectives by 20%.) Under the circumstances, it might be well to keep these factors in mind, but to remember that they do not necessarily have any effect on the short-term outlook.

We should like to turn, now, to the technical side of the market. As regular readers of the "Chronicle" (and our clients) are aware, we believe that certain types of technical studies can be very helpful in telling us when to be especially careful in accepting the majority opinion as to the outlook for either earnings or stock prices. The technical approaches which we have found to be the most helpful are those having to do with an analysis of how long it usually takes either favorable or unfavorable influences to run their course. Studies developed more than fifteen years ago, and tested in actual practice since 1933, gave warnings of a probable decline of 20% or more in the

Mrs. and Mr. Herbert H. Blizzard, *Herbert H. Blizzard & Co.*, Philadelphia

Jerry Tegeler, *Dempsey-Tegeler & Co.*, St. Louis, Mo.; Bill Gregory, *Bonner & Gregory*, New York City; Gus Levy, *Goldman, Sachs & Co.*, New York City

market as a whole in early 1934, in Nov., 1936, in the Spring of 1940, and in the first quarter of 1946. (In each of these periods, we were told that there were valid reasons for ignoring these warnings on the theory that "Things are different now." In 1934, the weaknesses in the economic picture were considered offset by the accumulated demand for capital goods, resulting from the depression; in the first nine months of 1937, the low level of interest rates was widely accepted as the controlling, bullish market factor; in the first quarter of 1940, European orders for armaments, and reduced competition in South America, were advanced as reasons why less favorable factors should be ignored; and in 1946, the prospect of an early ending of OPA was considered more important than all of the bearish factors to which we called attention at that time.) These Timing Studies have been telling us, during the past two years, that we should give the market the benefit of any doubts until at least one or more of the leading industrial stock averages had risen, in either the Spring or Fall of 1949, to above the highest levels touched in the preceding two years. From that point on, if we may judge by a seventy-year record, any further advance is likely to be very limited, unless there should be some outstanding (and presently unforeseeable) favorable development.

It will be noted that this approach calls for a probable rise to above 190 in the Dow-Jones Industrial Average, and possibly an advance to somewhere between 200 and 210. If and when this zone is reached, it would certainly be in order to examine both sides of the economic picture with a high-powered microscope.

The question might well be asked as to how far we might expect the market to decline during 1950. We believe that it is too early to try to make a very close estimate, as so much depends on the action of the market itself during the balance of 1949, and on just what Congress may do when it reconvenes next year. It is conceivable that even a minor setback in business would lead to favorable action on such matters as double taxation on corporate earnings paid out in dividends, and we should not forget that the long-term outlook is still in the direction of more inflation. All we should look for next year is a cyclical decline which will almost certainly be less than the declines of 1919-1920 and 1937-1938, but might exceed the magnitude of the declines experienced in 1940, and in 1946.

Summary

In summary, we now seem to be in about the same stage of the business and market cycle as we were in the Summer of 1939 or in late 1936. The exact timing of the anticipated cyclical peak will depend in part on the repercussions of the steel strike, which, at this writing, is still underway. A level of between 190 and 210 in the Dow-Jones Industrial Average would satisfy most of the long-term technical studies which we have found to be worth serious attention, and the action of the market within that range should help determine the probable extent of the subsequent cyclical decline.

A recent statement by Mr. Leon Keyserling, perhaps, the most influential of President Truman's economic advisers, would seem to strengthen the conclusion that this is a time for caution. On Sept. 19, Mr. Keyserling said: "The recent economic setback has thus far been so much more moderate than the one which came shortly after World War I because of man-made decisions and institutions. . . . Intelligent government policies have been powerfully contributory toward stabilizing and sustaining the economy." Ignoring for the moment the fact that the Administration proposals last January to have the government build steel plants and increase corporate taxes helped to cause the readjustment experienced by business during the following six months, Mr. Keyserling's speech recalls a famous political statement made in Oct., 1936 (just as business and stock prices were approaching a cyclical peak), "Don't let anyone tell you that business just happened to improve: we planned it that way!"

They Sang Like Birdies

A feature of the Saturday evening banquet was a special event for the wives of the delegates—$50 in prizes for the best female quartet being offered by the "Investment Dealers Digest."

The winning quartet, coached by Joseph Gannon, was from Boston and consisted of Mrs. Gannon, Mrs. William May, Mrs. William Thompson, and Mrs. Frank D. Harrington. Winners of the second place were Mrs. Edward H. Welch, Chicago; Mrs. Edward E. Parsons, Jr., Cleveland; Mrs. John F. Finnegan, San Francisco, and Mrs. Winton A. Jackson, Dallas. The Philadelphia quartet won third place: Mrs. John Hudson, Mrs. Felix Maguire, Mrs. Herbert H. Blizzard, and Miss Peggy Mosley.

Following the ladies came the "Half-Ton Male Quartet," consisting of SEC Commissioner, Richard McIntyre; Harold Smith, Pershing & Co., New York; Edwin L. Beck, "Commercial & Financial Chronicle," and to bring the weight to exactly the half-ton, J. B. McMahon, Merrill Lynch, Pierce, Fenner & Beane, San Francisco.

The event was concluded with songs by Mrs. Richard Walsh of St. Louis, and Miss Carol Mason of Lynchburg, Va.

Mrs. Chas. G. Scheuer, Chicago; Mrs. George J. Elder; Mrs. Elmer W. Hammell; George J. Elder, *Geo. A. McDowell & Co.*, Detroit; Elmer W. Hammell, *Caswell & Co.*, Chicago

Charles G. Scheuer, *Scheuer & Co.*, Chicago; Thomas E. King, *Thomas E. King & Co.*, Chicago; Mrs. Leo J. Doyle, Chicago; Mrs. John B. Sackley, Chicago; Leo J. Doyle, *Doyle, O'Connor & Co.*, Chicago

Guaranteed Local Housing Bonds

(Continued from page 8)

Needless to say, the development cost of such project must be approved by PHA as it is the figure used in determining the amount of annual contributions to be paid by PHA.

At this point the local agency is ready to authorize and issue its definitive bonds and proceed accordingly. It should be noted that these bonds will be issued as the obligations of the local housing agency in conformity with the applicable provisions of state legislation. However, with some few minor exceptions, the enabling legislation of the various states permits the issuance of bonds of a nature readily adaptable to a uniform pattern and it is anticipated that uniform proceedings for the issuance of bonds will be taken by all local agencies participating in the Federal program. After authorization will follow public sale of the bonds to the bidder naming the lowest interest cost.

Nature of Housing Bonds

Now what will be the nature of this bond which the successful bidder will buy? That seems to be the $64 question. As such obligations have not as yet come to the market, I can only tell you what I believe it will be, hoping that my beliefs will not lead me to misstate or overstate its quality. It is my belief that the bond will be a full faith and credit obligation of a political entity, issued under constitutional law of the state, secured not only by the net revenues of the project being financed, but more important, secured by the pledge of a contract under which an instrumentality of the Federal Government, regardless of circumstances, agrees to make payment annually to the Local Housing Agency's fiscal agent for the bond issue, of a contribution sufficient in amount to meet payment of principal and interest as the same mature or become due and payable. It is, of course, possible that the bond may provide that the annual contribution may be reduced in any year by the amount of rental revenues actually on hand and applicable to debt service, but what bondholder would not willingly allow for such substitution of funds when the contract with the PHA assures payment in full by the Federal Government should such rental revenues not be forthcoming.

It is my belief that the subject bonds will be as above described in view of the new Housing Act of 1949 and the so-called "perfecting amendments" contained therein. We who have followed the difficult course of this legislation through Congress have used the term "perfecting amendments" advisedly as it is our opinion that their inclusion in this legislation provides the means by which the highest quality may be attained in the composition of the bonds of the local housing agencies. The provisions of this legislation to which I refer are now contained in Section 22 of the amended Housing Act of 1937. I would like to state these provisions to you, which, for the purpose of clarity, I have paraphrased:

Private Financing, Sec. 22—To facilitate the enlistment of private capital through the sale by local housing agencies of their bonds to others than the PHA, in financing low-rent housing projects, and to maintain the low-rent character of housing projects: . . . Whenever a contract for annual contributions shall include provisions which the PHA, in said contract, determines are in accordance with subsection (a) hereof (relating to PHA's right to take possession of, or title to, a project upon occurrence of a substantial default by the local housing agency), and the annual contributions, pursuant to such contract, have been pledged by the local housing agency as security for the payment of the principal and interest on any of its bonds, the PHA **(notwithstanding any other provisions of this Act)** shall continue to make annual contributions available for the Project so long as any of such bonds remain outstanding. . . . Although the foregoing power to contract for the unconditional payment of annual contributions is permissive, it is my opinion that full use of such power will be made by those administering the program as they must realize that their use is absolutely essential if a housing bond is to enjoy the full benefit of government credit.

And now more about this bond:

It will be a bond issued by a political entity operating a revenue-producing enterprise, the type of which, or the successful operation of which, will have no bearing on the security of the bondholder. This will be so because, where the Assistance Contract is drawn to make full use of the new statutory provisions, the annual contributions will continue to service the bonds regardless of the failure of the local housing agency to construct or operate the project properly. In such event PHA and not the bondholder will be the party to straighten out the errant local housing agency under powers reserved in the contract for financial assistance.

It will be a bond expressly exempt from Federal taxes by act of Congress. The United States Housing Act of 1937, as amended, says: "Sec. 5 (e) . . . Obligations including interest thereon, issued by public housing agencies in connection with low-rent housing or slum clearance projects, . . . shall be exempt from all taxation now or hereafter imposed by the United States." This is broad language. Doubtless it means at minimum that interest on the bonds is exempt from income tax. That it also grants exemption from the Estate and Gift taxes is doubtful but a question I will leave for the lawyers.

It will be a bond exempt from taxation by the states in which the issuing local housing agencies are located. By way of illustra-

Mrs. Herbert C. Irish; Mr. and Mrs. Charles L. Ebner, Jr., *Bateman, Eichler & Co.*, Los Angeles; Herbert C. Irish, *Fairman & Co.*, Los Angeles

Russell H. Forbes, *Forbes & Co.*, Denver; Henry C. Welsh, Jr., *Lilley & Co.*, Philadelphia; Mrs. and Mr. Roswell J. Weil, *Weil & Arnold*, New Orleans, La.

tion, I quote the applicable provision of the Public Housing Law of New York State which is substantially representative: "Bonds of an authority are declared to be issued for a public purpose and to be public instrumentalities and together with interest thereon shall be exempt from tax."

It will be a bond eligible for purchase in unlimited amount and which may be underwritten by national banks and, to the extent permitted by state laws, by member banks of the Federal Reserve System and in most cases a "legal investment" in the state in which the issuer is located and many of the other states of the Union.

It will also be a bond, and here I take some liberty with my analogy, comparable to a "tax-exempt government."

With all of these features, I believe it will be a bond which will create national investor interest and accordingly be of interest to all investment dealers and traders. The financing of the Federally-aided program will require that literally billions of such bonds come to the market during the next few years. More than 700 local housing agencies in 42 of the states and our possessions have been organized. A substantial majority of these agencies have, or will have, projects constructed and financed under the Federal program and must come into the bond market from time to time to secure their money requirements. Some of these agencies will only have one issue; others will have a number of such issues equal to the number of projects being constructed. However, the issues of all local housing agencies, large or small, regardless of location, and regardless of the credit standing, or rating of the city or other political subdivision in which territorial jurisdiction it operates, should be entitled to a national credit rate basis, since all are afforded the opportunity to produce, and undoubtedly will produce, for public consumption, obligations which are identical as to security.

In making the foregoing statement I am not unmindful of the fact that there may be some slight diversion from a single uniform credit rate basis due to varying local tax exemption and legal investment qualities afforded by state statutes. However, it is my opinion, and I believe you will agree with me, that the security behind all of these bonds will be the same, and that is the most important consideration. In the final analysis, you must conclude that there is in effect "nothing in a name," as the name of the issuer on the bond will simply identify the location of the project being financed and the amount of the issue will merely indicate the capital cost of such project.

To the members of this important segment of the investment banking fraternity I say that never before has the credit of the Federal Government been afforded unconditionally to a security which comes to the investment market through the channels prescribed for these housing bonds. These bonds, if they are made as good as they can be, and as I expect they will be, will be something new in the investment world. I say this because I do not know of any other instance where obligations reflecting Federal credit have been offered in a manner which makes the direct and fullest use of the investment distributive machinery of the nation.

The Equity Share as An Inflation Hedge

(Continued from page 9)

Thus the stockholder, based on the average performance, since prewar gained an appreciation of 32% while he was facing a net rise in his cost of living of 42%. The holder of government obligations has experienced slight declines in both yield and market price (due to a lower coupon rate).

The wage-earner during the period has enjoyed a net gain in his *real* income.

Since 1945 the Labor regime has been particularly rough on the shareholder. Net, he has had a 10% shrinkage in his capital, while the cost of living has risen by 10% under State nationalization and socialization.

In the U. S.

The U. S. experience is worth looking at, not so much as a precedent for the future, but to note the attitude toward equity ownership in a comparatively "unseasoned" investment field.

Based on their respective 1935-1939 averages, common stocks have gained 25%, high-grade bonds have risen 4%; while the cost of living measured by the U. S. Department of Commerce Index has increased 95%, and according to the Consumer Price Index of the Department of Labor, by 86%.

Thus, there has been a virtual capital levy applied to the real value of government bonds, savings and cash of almost 50%, and against common stocks of 35%.

Conclusions

We see that equity investment has in all countries afforded some protection against recent declines in the currency's purchasing power —although it has in no case afforded a complete offset. In the countries undergoing drastic inflations, French shares have characteristically exhibited the best performance, similar to Great Britain among the "mild inflaters."

It is interesting to note that since the British Labor Government's advent in 1945, the protection has been "minus" (that is, shares have declined absolutely, versus the continuing cost-of-living rise), possibly due to discriminatory policies in tax and other fields.

In the United States, during the period comprising the entire decade, the stockholder has fared considerably worse marketwise than have his British and French cousins, slightly worse than the Swiss, and about the same as in Italy.

The almost[1] unique application of capital gains taxation must be recognized as limiting advantage to United States securities-holding. Nevertheless, it apparently may be concluded that, conforming also to tests of the comparative earnings- and dividend-yields, the United States equity share over the long-term is behind that in other countries; and that it at least constitutes one of the "must" investment media in the capitalist's diversified defensive operations.

1 In Switzerland, some cantons apply capital gains taxation (widely evaded).

John F. Sammon, *Andrews, Posner & Rothschild,* New York City; Mrs. and Mr. Ernest E. Stone, *Stone, Moore & Co.,* Denver

Oscar Kraft, *Oscar F. Kraft & Co.,* Los Angeles; Carol Ann Kraft; Mrs. Oscar Kraft; Clara D. Simpson; Bryan E. Simpson, *B. E. Simpson & Co., Denver,* Colo.

Will Point IV Program Revive Private Investment in Europe?

(Continued from page 13)

tile theory—that a nation to be strong should keep its capital resources at home.

Who Will Furnish the Money?

But the problem is not one of guarantees alone. The question is where is the money coming from. With shares of domestic corporations thoroughly depressed, and equity capital difficult to obtain by corporations on a sound and reasonable basis, there will be no immediate incentive for American investors to place their funds into foreign ventures. It has always been an axiom of international finance that domestic capital will not flow abroad unless the present or prospective return is considerably higher than that received from domestic securities. This requisite is in addition to one so frequently referred to—the "favorable climate" required for foreign investment. In the past century and a half, European capitalists have supplied the United States with funds for development chiefly because the prospective return on the capital was higher than the return received for similar investment at home. With our still expanding economy and high industrial productivity, there is ample opportunity for large capital investment at home, *if the climate were favorable—which it isn't!* As long as this situation continues, the American public will refrain from dumping its savings in the fire of foreign investment, while withholding it from the domestic frying pan. As well stated in the recent issue of the "Guaranty Survey," publication of the Guaranty Trust Company of New York:

"The conclusion is inescapable that only private capital can give adequate and satisfactory financial implementation to the "Point Four" program. Such capital is available in large amounts, but only on condition that investors can be offered much stronger prospects of safety and profit in foreign countries than exist at present. This is primarily a problem to be solved by the foreign countries themselves, although our own government can help by continuing and intensifying its efforts to remove trade barriers, by negotiating bilateral agreements to correct the conditions and practices that now prevent large-scale foreign investment, and by examining its own tax rates and security regulations that tend to discourage capital, especially equity capital. The Department of State has announced that Congress will be asked to liberalize taxes on income earned in foreign countries."

The "Favorable Climate" Argument

In all discussions of American foreign investments since the end of the war, the fact is stressed that a "favorable climate" for a renewal of such activities does not exist in Europe or, as a matter of fact, in any other nation throughout the world. The International Chamber of Commerce, along with several other similar organizations, has proposed the adoption of an international investment code, and the negotiation of bilateral treaties to assure the protection of foreign capital from the risks it is likely to undergo from domestic legislation. Millions of dollars of American capital has already been lost from this source of depredation. Mr. Eugene Holman, President of the Standard Oil Company of New Jersey, has lately recounted to a Congressional Committee the losses his company alone has recently sustained through the confiscation of properties by national governments. American experience in Mexico, Argentina, Spain, and elsewhere, in which investments or private capital have been ruthlessly destroyed or attacked, should not be lightly passed over.

To create anew an economic climate favorable to investment in all the countries that could advantageously use American capital will be a formidable task. Yet as recently stated in a bank publication, "The Guaranty Survey," the process might be facilitated by a modest beginning. The necessary arrangements could be made with one or two countries, and the experience thus gained could be used as a guide in subsequent negotiations. Such an experimental approach would take time, but in the final analysis, it might save time; for it is idle to suppose that a program of such magnitude, with such obstacles to be overcome, can be undertaken hastily with any reasonable prospect of success."

Many so-called undeveloped countries still adhere to an unfriendly, distrustful, and unrealistic attitude toward foreign private investment, especially direct investment, so that the outlook for rapid implementation of the "Point Four" is far from bright. Although it should be recognized that foreign investors ought to refrain from meddling in a country's internal affairs and that every country has the right to conserve its natural resources, and give no preference to foreign over domestic capital, it is equally true that investors are concerned with the safety and profitableness of their investments and have the right to expect protection against unfair treatment. A nation that is unwilling or unable to assure protection to foreign investment is not a nation in which foreign investment should take place, regardless of our national political and economic motives.

In Attendance At Convention

(Continued from page 16)

**JACKSON, WINTON A.*
First Southwest Company, Dallas

**JOHNSON, WILBUR E.*
Johnson & Johnson, Pittsburgh

JOLLEY, LEX
Johnson, Lane, Space & Co., Inc., Atlanta

KAPLAN, MAX
Friedman, Brokaw & Lesser, St. Louis

**KENNEDY, BERNARD F.*
Bosworth, Sullivan & Co., Denver

KING, THOMAS E.
Thomas E. King & Co., Chicago

**LAEMMEL, WM. G.*
Chemical Bank & Trust Co., New York

LATSHAW, JOHN
Uhlmann & Latshaw, Kansas City

**LEARY, Jr., A. McINTYRE*
Barrow, Leary & Co., Shreveport

**LEE, ALONZO H.*
Sterne, Agee & Leach, Birmingham

**LESTRANGE, GEORGE E.*
Arthurs, Lestrange & Co., Pittsburgh

LEVY, GUSTAVE L.
Goldman, Sachs & Co., New York

LILLIS, DONALD C.
Bear, Stearns & Co., New York

LYNCH, HOWARD J.
Paul & Lynch, Philadelphia

MAENDER, CLARENCE J.
G. H. Walker & Co., St. Louis

**MAGUIRE, FELIX E.*
Stroud & Company, Incorporated, Philadelphia

MARKHAM, EDWIN J.
Wertheim & Co., New York

**MARR, LAWRENCE N.*
E. H. Rollins & Sons Incorporated, Chicago

MASEK, JOS. E.
Chas. A. Fuller Company, Minneapolis

**MASON, WALTER G. and Daughter*
Scott, Horner & Mason, Inc., Lynchburg

*Denotes Mr. and Mrs.

Charles Zingraf, *Laurence M. Marks & Co.*, New York City; T. Geoffrey Horsfield, New York City; James M. Powell, *Boettcher & Co.*, Scotts Bluff, Neb.

Mrs. R. Victor Mosley; Louise Jane Mosley; "Happy" Robbs; Peggy Elizabeth Mosley; R. Victor Mosley, *Stroud & Co., Inc.*, Philadelphia

*MAY, WILLIAM F.
May & Gannon, Inc., Boston

MAYER, JOHN M.
Merrill Lynch, Pierce, Fenner & Beane, New York

MAYES, HAROLD B.
Hendrix & Mayes, Inc., Birmingham

McDONALD, HARRY
Sec. & Exchange Comm., Washington, D. C.

*McLAUGHLIN, JOHN F.
McLaughlin, Reuss & Co., New York

*McMAHON, J. B.
Merrill Lynch, Pierce, Fenner & Beane, San Francisco

McMILLAN, KATHRYN
Smith, Hague & Co., Detroit

*McPOLIN, BENJAMIN J.
McDonald & Company, Cleveland

MEANS, JAMES W.
Courts & Co., Atlanta

MEYER, FRANK P.
First of Michigan Corporation, Detroit

*MILLER, DON W.
Titus-Miller & Company, Detroit

*MINETREE, JOSEPH P.
Steiner, Rouse & Co., New Orleans

MITTON, ROBERT L.
Robert L. Mitton Investments, Denver

MONTAGUE, ARCH F.
W. E. Hutton & Co., Cincinnati

*MORELAND, PAUL I.
Moreland & Co., Detroit

MORFELD, EDWARD H.
Morfeld, Moss & Hartnett, St. Louis

*MORTON, FRED G.
The Milwaukee Company, Milwaukee

MORTON, ROALD A.
Blue List Pub. Co., New York

*MOSLEY, R. VICTOR and PEGGY and LOUISE
Stroud & Company, Incorporated, Philadelphia

*MULCOCK, ERNEST R.
E. R. Mulcock & Co., Syracuse

MULLEN, JOHN J.
Garrett-Bromfield & Co., Denver

*OETJEN, HENRY
McGinnis, Bampton & Company, New York

O'KANE, Jr., JOHN J.
John J. O'Kane, Jr. & Co., New York

*PARKER, H. SHELDON
Kay, Richards & Co., Pittsburgh

*PARSONS, Jr., EDWARD E.
Wm. J. Mericka & Co., Inc., Cleveland

PATTERSON, DONALD L.
Boettcher and Company, Denver

PAULI, ROBERT A.
Scherck, Richter Company, St. Louis

PETTEY, HERBERT
Equitable Securities Corporation, Nashville

*PHILLIPS, JOSEF C.
Pacific Northwest Company, Seattle

*PHILLIPS, Jr., SAMUEL K.
Samuel K. Phillips & Co., Philadelphia

*PIZZINI, B. WINTHROP
B. W. Pizzini & Co., Inc., New York

PLUMRIDGE, THEODORE E.
J. Arthur Warner & Co. Incorporated, New York

POINDEXTER, CLIFFORD
Wagenseller & Durst, Inc., Los Angeles

PRICE, THOMAS W.
McAndrews & Co., Incorporated, San Francisco

PULLIAM, LAWRENCE, S.
Weeden & Co., Los Angeles

QUIGLEY, JAY L.
Quigley & Co., Inc., Cleveland

QUINN, JOHN J.
Stone & Youngberg, San Francisco

RAHN, FRED T.
The Illinois Company, Chicago

RICHARDS, CHARLES A.
Field, Richards & Co., Cincinnati

*ROBINSON, ELLWOOD S.
Aspden, Robinson & Co., Philadelphia

*ROGGENBURG, STANLEY L.
Roggenburg & Co., New York

*RUSSELL, JAMES N.
Gottron, Russell & Co., Cleveland

RYAN, JERRY B.
Peters, Writer & Christensen, Inc., Denver

SACCO, ARTHUR C.
Detmer & Co., Chicago

*SACKLEY, JOHN B.
Doyle, O'Connor & Co., Inc., Chicago

*SAFFIN, RICHARD F.
Boland, Saffin & Co., New York

SAMMON, JOHN F.
Andrews, Posner & Rothschild, New York

SANDERS, SIDNEY J.
Foster & Marshall, Seattle

*SAUNDERS, WALTER F.
The Dominion Securities Corporation, New York

SCANLAN, EARL M.
Earl M. Scanlan & Co., Denver

*SCATTERGOOD, HAROLD F.
Boenning & Co., Philadelphia

*SCHEUER, CHAS. G.
Scheuer & Co., Chicago

SCHLICTING, HUGH R.
Wm. P. Harper & Son & Co., Seattle

*SELTSAM, DONALD A.
Seltsam & Company, Inc., Topeka

SHARP, ELIOT
Investment Dealers Digest, New York

*SHEPLER, LLOYD W.
Merrill Lynch, Pierce, Fenner & Beane, Cincinnati

*SIMPSON, WILLIAM G.
H. M. Byllesby and Company, Incorporated, Pittsburgh

*SLOAN, DONALD C.
Sloan & Wilcox, Portland, Ore.

*SMITH, HAROLD B.
Pershing & Co., New York

SNOWDEN, W. L.
Peters, Writer & Christensen, Inc., Denver

*SNYDER, EVERETT W.
E. W. Snyder and Co., Syracuse

*STAIB, LEE R.
Geo. Eustis & Co., Cincinnati

*STARK, EUGENE
Merrill Lynch, Pierce, Fenner & Beane, New York

*STEELE, HARRY J.
Fauset, Steele & Co., Pittsburgh

STEINECKE, STEPHEN W.
S. K. Cunningham & Co., Inc., Pittsburgh

STEPHENS, DONALD B.
Paul H. Davis & Co., Chicago

STEPHENS, JASPER F.
Waddell & Reed, Inc., Kansas City

STONE, ERNEST E.
Stone, Moore & Company, Denver

STRALEY, JOHN A.
Hugh W. Long and Company, Inc., New York

*SWAN, LESLIE B.
Chas. W. Scranton & Co., New Haven

*TACKUS, ANDREW L.
Putnam & Co., Hartford

TAYLOR, CLARENCE E.
Strader, Taylor & Co., Inc., Lynchburg

TEGELER, JEROME F.
Dempsey-Tegeler & Co., St. Louis

*THOMPSON, WILLIAM S.
Ralph E. Carr & Co., Inc., Boston

*THORNBURGH, ROBERT W.
The W. C. Thornburgh & Co., Cincinnati

(Continued on page 70)

*Denotes Mr. and Mrs.

Mrs. and Mr. William G. Laemmel, *Chemical Bank & Trust Co.*, New York City; Mr. and Mrs. R. F. Saffin, *Boland, Saffin & Co.*, New York City; Mr. and Mrs. William H. Boland, *Boland, Saffin & Co.*, New York City, celebrating their nineteenth wedding anniversary on Oct. 7; Mr. and Mrs. Russell Ergood, *Stroud & Co., Inc.*, Philadelphia, Pa.; Mr. and Mrs. Ellwood S. Robinson, *Aspden, Robinson & Co.*, Philadelphia

Mr. and Mrs. Arthur Hatz, *Arnhold & S. Bleichroeder, Inc.*, New York City; Mrs. and Mr. B. Winthrop Pizzini, *B. W. Pizzini & Co., Inc.*, New York City

In Attendance at NSTA Convention

(Continued from page 69)

TORNGA, HERMAN
De Young, Tornga Co., Grand Rapids

*TORPIE, ROBERT
Merrill Lynch, Pierce, Fenner & Beane, New York

TORREY, GEORGE R.
Kebbon, McCormick & Co., Chicago

VALLELY, EDWARD V.
John Nuveen & Co., Chicago

WALKER, GRAHAM
Nat'l Quotation Bureau, New York

WALKER, L. E.
Nat'l Quotation Bureau, New York

*WALSH, RICHARD H.
Newhard, Cook & Co., St. Louis

WEBB, JOHN TRUMAN
Otis & Co., Denver

*WEIL, ROSWELL J.
Weil & Arnold, New Orleans

*WELCH, EDWARD H.
Sincere and Company, Chicago

WELSH, Jr., HENRY C.
Lilley & Co., Philadelphia

WHITE, Jr., WILSON
Alex. Brown & Sons, New York

*WILSON, HOLMAN R.
Wilson-Trinkle & Co., Inc., Louisville

WOLF, LEONARD J.
A. G. Becker & Co., Incorporated, Chicago

*WREN, LAWRENCE
Allen & Company, New York

*YARROW, PAUL
E. F. Hutton & Company, Chicago

YOUNG, RALPH S.
Ralph S. Young, Colorado Springs

ZINGRAF, CHARLES M.
Laurence M. Marks & Co., New York

*ZIPPIN, ISRAEL
Zippin & Company, Inc., Chicago

*Denotes Mr. and Mrs.

Report of the NSTA Public Relations Committee

(Continued from page 17)

Forum." This program was designed to acquaint employees of the investment banking houses here in St. Louis who are in confining positions with the mechanics of other departments.

To date we have reviewed the following companies under the "Know Your St. Louis Industries" program:

Anheuser Busch Inc.
American Investment Co. of Ill.
McDonnell Aircraft Corp.
Union Electric Co. of Missouri
Wagner Electric Co.

Under the Educational Forum we had Mr. R. C. Behrens, Vice-President of the St. Louis Union Trust Co., speak to us on the subject "Operations of the Investment Banker and Investment Outlook." These meetings take place, incidentally, on the floor of the St. Louis Stock Exchange.

We have had grand attendance at both of these programs for a club our size. The attendance figure average is aproximately 150 persons for trips and forum.

I am enclosing a copy of the first notice that was sent out to our membership which has attached a brief description of both of these programs which I thought you would find interesting should you want to incorporate the activities of the St. Louis affiliate in your report at the National Convention in October.

Thanking you, and looking forward to seeing you at the Convention, kindest personal regards.

Cordially,

JOHN W. BUNN,
Chairman, Public Relations & Finance Com.

Exhibit "F"

August 4, 1949.

Mr. Benn Hibbs, Editor,
The Saturday Evening Post,
c/o Curtis Publishing Co.,
Independence Square,
Philadelphia, Pa.

Dear Sir:

An item appearing in the current issue, Aug. 6, of the "Post" has come to my attention, which, although of a minor nature, serves to build up a misconception in the minds of the public. This items is a cartoon appearing on page 108, drawn by Burr Shafer. Its text definitely tends to create a disparaging picture for so-called Unlisted Securities.

Your readers may be interested in the fact that the unlisted market (often referred to as the over-the-counter market) for securities was given great impetus after the War between the States. At that time the Treasury of Our Country faced disaster. The then Secretary of the Treasury, Salmon Chase, called upon Jay Cooke, who organized teams of salesmen to tell the story to the citizens of the war-torn nation of how the United States must grow, and how safe must be its generous yielding securities. Mr. Cooke was responsible for creating 2,000,000 American Investors out of a total population of about 32,000,000.

Even today virtually all transactions in obligations of the United States are conducted in the unlisted market, as are also practically all securities issued by our States and Municipalities. Stocks of most banks and insurance companies, railroad equipment certificates, and real estate bonds are traded likewise.

The "National Quotation Bureau" publishes daily an "Over-the-Counter" (Unlisted) index of Industrial Stock prices. This index covers 35 stocks not traded on any stock exchange. Of the 35 stocks, twelve are of companies who trace their ancestry to years prior to the Civil War:

Remington Arms Company, Inc.	1816
Plymouth Cordage Company	1824
American Optical Company	1833
The American Hardware Corporation	1839
Dun & Bradstreet, Inc.	1841
The Stanley Works	1845
Saco-Lowell Shops	1845
Ludlow Manufacturing & Sales Co.	1848
Grinnell Corporation	1850
Anheuser-Busch, Incorporated	1852
Landers, Frary & Clark	1853
The Richardson Company	1858

and another ten had their beginnings in 1900 or earlier:

Nicholson File Company	1864
Veeder Root Incorporated	1866
The M. A. Hanna Company	1867
Long-Bell Lumber Company	1875
Art Metal Construction Company	1888
The Philip Carey Manufacturing Co.	1888
West Point Manufacturing Co.	1888
Berkshire Fine Spinning Assoc., Inc.	1889
The Arrow-Hart & Hegeman Elec. Co.	1891
Weyerhaeuser Timber Company	1900

It is interesting to note that some of these companies are included among advertisers in your excellent publication.

This letter is written in an attempt to correct some of the misconceptions which have arisen with regard to the Securities Industry. "The National Association of Securities Dealers," a self-regulated body of our business, as well as the Securities and Exchange Commission, impose such rigid requirements upon all investment brokers and dealers, that, whether dealings be in the listed or unlisted markets, public interest is probably more closely guarded than in any other industry or profession.

Sincerely yours,

JOHN M. HUDSON,
Vice-Chairman Public Relations Committee, National Security Traders Association

P.S. Enclosed are reprints of two articles "When Should a Stock Be Listed," a technical article which I recently wrote, and "There Is Opportunity in Unlisted Securities," by Raymond Trigger of the Investment Dealers Digest. The latter article would seem to me suitable for your publication, naturally subject to Mr. Trigger's consent.

Cc. to Mr. Walted D. Fuller. President

Roster of Advertisers in NSTA Convention Issue